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ENVIRONMENTAL ASSESSMENT BOARD

VOLUME: 357

DATE: Tuesday, February 25, 1992

BEFORE:

A. KOVEN Chairman

E. MARTEL Member

FOR HEARING UPDATES CALL (COLLECT CALLS ACCEPTED) (416)963-1249

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A. KOVEN Chairman

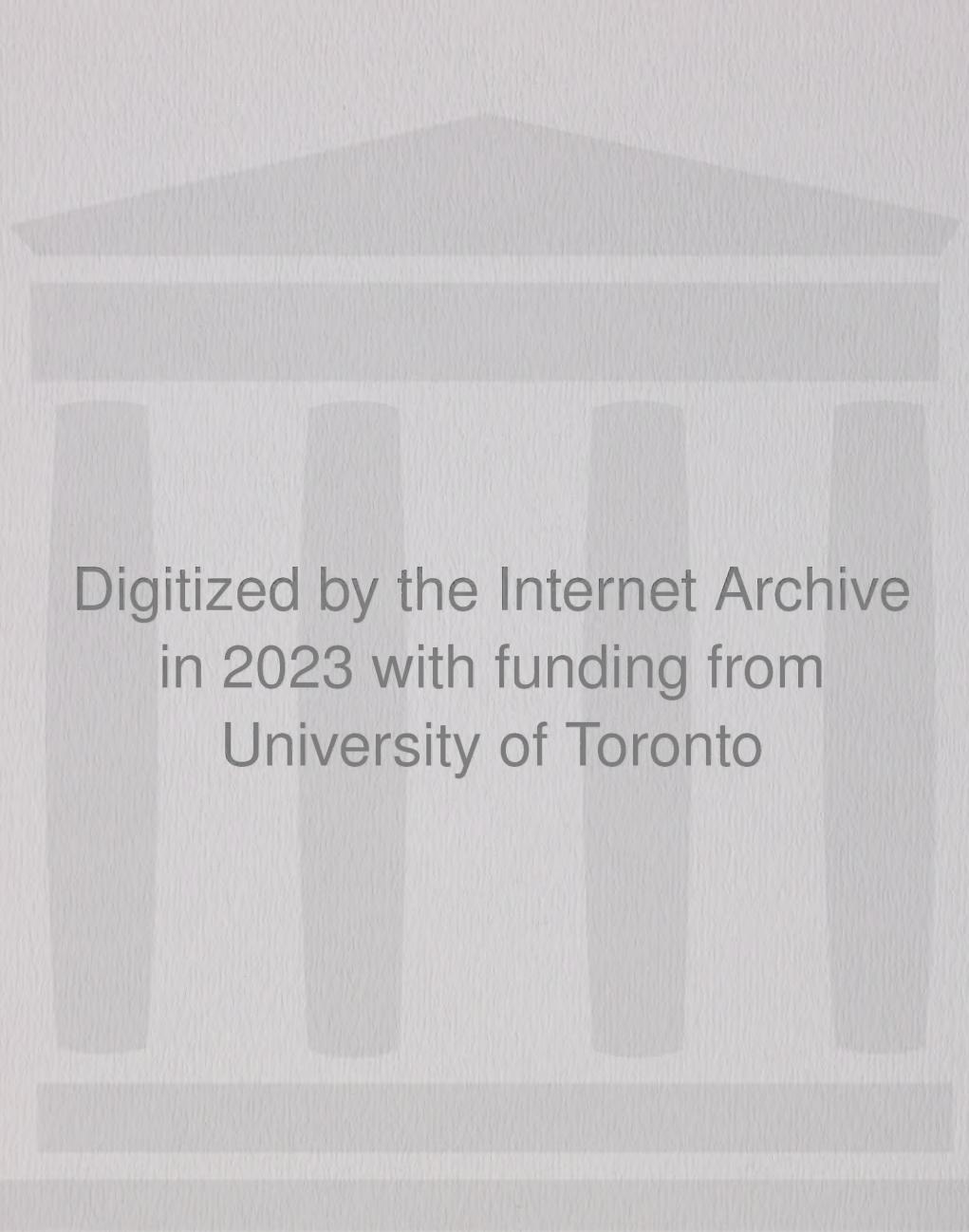
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HEARING ON THE PROPOSAL BY THE MINISTRY OF NATURAL
RESOURCES FOR A CLASS ENVIRONMENTAL ASSESSMENT FOR
TIMBER MANAGEMENT ON CROWN LANDS IN ONTARIO

IN THE MATTER of the Environmental
Assessment Act, R.S.O. 1980, c.140;

- and -

IN THE MATTER of the Class Environmental
Assessment for Timber Management on Crown
Lands in Ontario;

- and -

IN THE MATTER of a Notice by The Honourable
Jim Bradley, Minister of the Environment,
requiring the Environmental Assessment
Board to hold a hearing with respect to a
Class Environmental Assessment (No.
NR-AA-30) of an undertaking by the Ministry
of Natural Resources for the activity of
Timber Management on Crown Lands in
Ontario.

Hearing held at the offices of the Ontario
Highway Transport Board, Britannica Building,
151 Bloor Street West, 10th Floor, Toronto,
Ontario, on Tuesday, February 25th, 1992,
commencing at 9:00 a.m.

VOLUME 357

BEFORE:

MRS. ANNE KOVEN
MR. ELIE MARTEL

Chairman
Member

A P P E A R A N C E S

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I N D E X O F P R O C E E D I N G S

<u>Witness:</u>	<u>Page No.</u>
<u>PETER VICTOR,</u> <u>ATIF KUBURSI, Resumed</u>	62138
Continued Direct Examination by Mr. O'Leary	62138
Cross-Examination by Ms. Swenarchuk	62306
Scoping Session (OFAH/NOTOA Panel 9)	62321-62345

I N D E X O F E X H I B I T S

<u>Exhibit No.</u>	<u>Description</u>	<u>Page No.</u>
2117	Hard copy of seven overheads to be referred to by Dr. Kurbusi in his evidence-in-chief.	62138
2118	Document entitled The Economic Impact of Tourism in Ontario.	62152
2119	Document entitled Economic Impact of the Remote Tourism Industry North Algoma, dated March 5, 1990, authored by Econometric Research Limited and the Ministry of Tourism and Recreation.	62167
2120	Document entitled The Economic Impact of the Remote Tourism Industry, the Upper and Lower Spanish Forest, dated March 1991.	62197
2121	Document entitled Indicators of the Primary Impacts of Transportation Improvements.	62198
2122	Excerpt from a document entitled Tourism Macro-Economic and Regional Impact Model.	62200
2123	Document entitled Ontario Ministry of Natural Resources Interactive Model of Economic Impact of Provincial Park Expenditures, Version 0.1.	62205
2124	Tongass National Forest Study.	62240

INDEX OF EXHIBITS (Cont'd):

<u>Exhibit No.</u>	<u>Description</u>	<u>Page No.</u>
2126	Excerpt of a document entitled Environmental Policy Benefits: Monetary Evaluation, authored by Professors Pearce and Markandya.	62304

1 ---Upon commencing at 9:05 a.m.

2 PETER VICTOR,
3 ATIF KUBURSI, Resumed.

4 MADAM CHAIR: Good morning. Please be
5 seated.

6 Good morning Mr. O'Leary.

7 MR. O'LEARY: Good morning, Madam Chair,
8 Mr. Martel.

9 Perhaps the first thing we can do is mark
10 as an exhibit the overheads that Dr. Kubursi will be
11 referring to in his short presentation this morning in
12 respect of economic impact analysis.

13 MADAM CHAIR: This will be Exhibit 2117,
14 and we have seven pages? Yes, seven pages in this
15 exhibit.

16 MR. O'LEARY: That's correct.

17 ---EXHIBIT NO. 2117: Hard copy of seven overheads to
18 be referred to by Dr. Kubursi
 in this evidence-in-chief.

19 MR. O'LEARY: With your permission, Madam
20 Chair, I would invite Dr. Kubursi to proceed with his
21 brief presentation in respect of economic impact
22 analysis.

23 CONTINUED DIRECT EXAMINATION BY MR. O'LEARY:

24 Q. Dr. Kubursi.

25 DR. KUBURSI: A. Madam Chair, Mr.

1 Martel.

2 I would like to begin by positioning my
3 presentation this morning within the context of the
4 panel and in relation to what Dr. Victor had presented
5 yesterday.

6 I will be talking about economic impact
7 analysis and it's one very important measure and
8 indicator of relative worth to the community.

9 The accent here is on, one, on relative
10 and the community. One in the sense that there are
11 several other indicators and measures, one of which Dr.
12 Victor presented yesterday, and mine would be an
13 addition, a complement. I will try as much as possible
14 to draw on the connections and parallels between the
15 two.

16 Two, it is relative and relative here in
17 two senses. Relatively in the sense that it has to be
18 compared to other measures and that we can only compare
19 it to other activities. So we have to relate it to the
20 other measures of worth, consequences, value and at the
21 same time we cannot pass judgment or give that measure
22 of evaluation irrespective of other activities that are
23 competing with it.

24 So it is a relative measure of
25 considering alternatives and it is the community at

1 large. So the measure I would be talking about
2 according to impacts, socio-economic impacts are
3 matters of concern for many communities including
4 employment, income opportunities, type of skill,
5 occupation, the way the space relates to other spaces
6 and to the tax base and to the export performance.

7 Dr. victor yesterday emphasized the fact
8 that timber management deals with timber values and
9 non-timber values and that what we have before us is a
10 joint product, a composite of several things.

11 What I will be doing today is to
12 elaborate further on this, particularly that these
13 products are not in fixed proportion of one another,
14 they are not constant in the sense that one might
15 exceed the proportion that has historically determined
16 or that has been in the past been the practice in the
17 sense that timber management may be extented to
18 encroach on remote tourism or one activity of
19 exploration may interfere with other types of
20 activities.

21 In this respect it would become important
22 to determine the best possible uses and combination of
23 all these activities, and here I would like to see how
24 impact analysis, socio-economic impact analysis
25 particularly can contribute to the determination of the

1 best possible uses and the mix between all these
2 competing ends.

3 Three, I would like to emphasize that
4 economic impact analysis is nothing new. Actually, its
5 history is rooted in the 17th century of Dr. Quesnay, a
6 medical doctor, who in some sense depicted, portrayed
7 the economy a hundred years before Adam Smith as a
8 circulatory system and called it the tableau economic,
9 the economic table, and the way the economy interacts,
10 and I will try to draw the parallels how economic
11 impact analysis is rooted and drills on these findings
12 that go so far back in history and has earned two noted
13 economists, Dr. Leontief and Sir Richard Stone, two
14 nobel prizes.

15 Three, I would like to emphasize that we
16 have here is particularly a tool and that that tool is
17 very important and contributes in a quantifiable way
18 measures that we could put on the reliability, give
19 value to, but yet it's no more than a tool and that
20 ultimately it is the decision makers and the public who
21 ultimately through their input have to bring about a
22 decision in valuing the efficacy, the worth of this
23 tool and the results of this.

24 The economic impact analysis is
25 predicated primarily on two basic premises and maybe a

1 second premise, but the first is that the economy is a
2 complex of interacting parts, that it is the way the
3 sectors relate to one another that of fundamental and
4 critical importance to the way we evaluate and position
5 a particular activity.

6 You can't segregate or isolate tourism
7 from the way it relates to the other activities and you
8 can't talk about forestry without relating it to the
9 way it draws on machinery, agriculture and other
10 activities. In a way the economy is an interlocking
11 unit of activities that no one single activity can be
12 looked at in isolation of the rest.

13 Two, and this is perhaps more important,
14 is that the direct impacts, the primary, initial values
15 that measure an economy or economic activity are
16 misleading in the sense that they give only a partial
17 view of the economy and of the activity, and that a
18 full view cannot be gained unless one looks at the
19 indirect, the induced, all the relationships that come
20 about from the interaction of these sectors with one
21 another.

22 If one looks, for example, at the
23 expenditures of the tourists on food and beverages,
24 this automatically impinge on agriculture as it
25 supplies the component parts of that food and beverage

1 demand in a restaurant, but it also relates to the use
2 of energy and the cooking to the services of the cook,
3 to the woodmakers that provided the furniture and in
4 that respect it's no longer tourism in isolation of the
5 way it relates to all the other activities at hand.

6 The tool that allows us to capture all
7 this is called input-output and the input-output
8 concept is a very simple one. It's one that allows us
9 to look at the economy as a whole and to see the way it
10 interacts.

11 What we have before us here is the way
12 Statistics Canada organizes the economy and the way it
13 presents its data.

14 Q. Dr. Kubursi, could I ask to identify
15 what page you are at in Exhibit 2117?

16 A. This is page 6.

17 Q. Thank you.

18 A. Statistics Canada publishes each year
19 since 1961 the full details of the component parts of
20 the tables I have before you at the national level and
21 then ever five years it produces the same set of
22 accounts at the provincial level for every province,
23 including the Northwest Territories. The latest is
24 1984. 1989 will be with us shortly.

25 The way the framework is organized is to

1 partition the economy into commodities and industries
2 and to allow industries to produce more than one
3 commodity or for one commodity to be produced by more
4 than one industry.

5 If we look, for example, at the
6 commodities and we go downward we will see that we have
7 these commodities produced by industries and we have
8 several industries producing the same commodity, and
9 then if we look this way, horizontally, we are looking
10 at commodities supplied to industries.

11 What we really have then are two basic
12 components here that I will take a few seconds to
13 technically describe, but this is purely by way of
14 introduction. The technical details here are now so
15 standardized that it takes only a three or four year
16 course in economics at best to comprehend the full
17 details of it and maybe sometimes even at the
18 introductory levels, but what we really have here is an
19 input table, a technical table.

20 This tells us exactly how each industry
21 calls on different commodities as impacts. If we are
22 talking about the production of steel, then we are
23 looking at the ore, we are looking at the coke, we are
24 looking at labour, we are looking at machinery and so
25 on and so forth and these will be the commodities

1 coming primarily here, the coke, the energy, then
2 labour comes down here. If you sum down the column you
3 get the total output of an industry.

4 So in this sense here this is a technical
5 matrix and here what we really have is market shares;
6 how does the supply of a particular commodity come
7 about from the various industries. So in some sense,
8 if we really go down then the column, we would know
9 exactly the total output of a commodity and the shares
10 of the various industries in producing this commodity.

11 The issue here is that this accounting
12 framework which is comprehensive relates every single
13 industry to every other industry. It tells us how each
14 industry relates to other industries, how other
15 industries supply the inputs, how does it relate to
16 labour, how much does it call on workers, how much does
17 it pay in taxes and then how much does it deliver of
18 its output to households as consumption, to businesses
19 as investment, to government in the provision of its
20 services.

21 One we organize the economy in this way
22 we are able to mathematically manipulate it in such a
23 way that once we know the expenditures of various
24 activities, right here, it would be a simple matter to
25 determine the output needed from each industry to

1 sustain that demand and ultimately allowing us to
2 calculate the employment that would be supported by the
3 activities of this industry and the taxes it pays.

4 We use a number of indicators to measure
5 the way these industries in a particular space relate
6 to one another. This goes to the framework here,
7 components of economic impact analysis and I am
8 primarily here looking at these measures.

9 Q. That will be page 2 of Exhibit 2117?

10 A. 2117, page 2. The components are
11 employment and here employment is not defined just as
12 the total. It would allow us to determine employment
13 by sector, by the industry employing this labour. It
14 will allow to also talk about the location of this
15 employment, in what county, in what region.

16 It will also allow us to depict this
17 employment in terms of the occupational skills and
18 mixes. It will allow us to talk about the direct
19 employment on the premises, on the site, on the
20 activity within the undertaking or the FMU and outside
21 it and the same is true about income and income here is
22 determined in terms of the factor payments. It has
23 four components: wages, rent, interest income and
24 profits.

25 We are also able to talk about turnover

1 or sales. This is the volume of activity within a
2 community and an economy that is needed to sustain a
3 particular activity, and then we can talk about taxes
4 and here taxes are in terms of five or six components.
5 We can talk about personal income tax, even our loved
6 GST, the personal income taxes, corporate profit taxes
7 and by the level of government collecting this tax.
8 This becomes extremely important, particularly for the
9 local communities to see how a particular activity
10 impacts on the tax base. So we will talk about it in
11 terms of the federal government, the provincial
12 government and the local governments.

13 We can also talk about how the various
14 activities call upon, digest and use renewable
15 resources. Energy is a particular one in physical and
16 energy terms in terajoules.

17 We are also able to see how the space
18 relates to one another and this is particularly
19 important and of special significance particularly for
20 the kind of questions that are essential and deemed
21 important for this matter.

22 It is the case, and I will try to show it
23 through examples, that if you spend things in the north
24 they tend to leave, to seep back to the south because
25 the north does not have the kind of economic base that

1 can sustain and deliver all the requirements, all the
2 demands put on it and in this respect we would like to
3 see the differential, spacial impacts of various
4 expenditures. Certain expenditures tend to leavve, seep
5 out more than others. So then the ratio of local to
6 total impact becomes a critical variable that impact
7 analysis can contribute to.

8 The other concepts that we use and one
9 that I would like to say misuse is the concept of the
10 multiplier. I guess this is page 3.

11 I remember the first time I was engaged
12 in calculating multipliers which are very simple
13 constraints. We divide the total impact by the initial
14 expenditures to derive this multiplier. I remember it
15 was 1972 and it was published in the Ontario Economic
16 Review and it is part of my CV and we ranked all
17 industries in Ontario in terms of their income
18 multipliers, in terms of the employment multipliers.

19 I was subjected to a tremendous amount of
20 pressure because I was called at the university almost
21 on a weekly basis by industries trying to know: What
22 is the value of our multiplier this week. The
23 presumption was that there was some sort of a stock
24 market and these values were going up and down.

25 The issue is that this multiplier is a

1 very difficult and, in my view, misleading concept
2 because what happened then is that many researchers,
3 particularly in the consulting community, who would now
4 use these fixed multipliers as if they are fixed and
5 known physical parameters and all you really need to
6 know is how much you spent on site, you multiply it by
7 that multiplier and it's really the worth or the
8 contribution of an economic activity.

9 I mean, this is the closest an economist
10 gets to outcomes because we have been getting something
11 out of nothing and in this respect it's very different.

12 The way it is correctly used, and there
13 is now standard techniques, ones that are now standard
14 tools, as I mentioned earlier, in the Ministry of
15 Natural Resources, in Tourism and Recreation and
16 Ministry of Transportation and the Ministry of the
17 Environment where the multipliers are not fixed
18 numbers, but are outputs of these standard tools and
19 they vary and change according to the weights
20 determined by the expenditures and how these
21 expenditures are allocated over commodities.

22 Like, if we in the north spend an
23 inordinate amount on machinery and machinery is
24 produced in the south or outside Ontario, then the
25 income multiplier, the employer multiplier would be

1 very small.

2 If, on the other hand, we tend to spend
3 on local resources and things that are spent within the
4 region, produced within the region, then these
5 multipliers would be large.

6 The statement, No. 2, is really a correct
7 one in the sense that there multipliers tend to be
8 ultimately larger in a closed economy than in an open
9 economy - sorry, No. 3 - because you will see that if
10 an economy is open it means that it has a very large
11 portion of its demand satisfied by outputs produced
12 elsewhere, then that multiplier would be smaller.

13 It's also true that the greater the taxes
14 that are going to jurisdictions outside the regions
15 that do not come back as expenditures also would tend
16 to reduce the value of this multiplier.

17 So in some sense it is misused, but can
18 be used and can be used correctly if one would
19 understand that this is a measure that is derived
20 within the system, not a fixed parameter that is
21 related to the types of expenditures and that it is a
22 good measure of attention in a given community that is
23 close and its economic base is mature and
24 comprehensive.

25 We have several perspectives within an

1 economy, analysis and impact analysis. We tend to
2 define this perspectives in terms of vertical
3 perspectives and horizontal perspectives.

4 The vertical perspective is in terms of
5 all these measures I talked about, the income, the
6 employment, the taxes, the exports, and then we relate
7 them across sectors and then we try to organize this
8 horizontally by space.

9 We look at the provincial impact, we look
10 at the economy as a whole, then we look at the local
11 economy and then look at the way the economy relates to
12 one another, how one region relates to its neighbours
13 regions. So there is no complete impact analysis that
14 does not provide a comprehensive vertical perspective.
15 It takes more than one of these indicators and does not
16 provide the horizontal perspectives, the provincial,
17 the local and the way the region or local relate to one
18 another.

19 Now, this sounds quite interesting in
20 terms of the overall abstract. Its worth, though, is
21 very practical and what I would like to do now is to
22 take several examples, but three in particular that I
23 think may be of interest to you because I noticed
24 through the scoping questions that you would like to
25 know what is the impact of tourism and how one might

1 look at particular problems and how does this tool of
2 impact impact analysis contribute to the kind of
3 questions that you are dealing with when you're looking
4 at multiple uses of the forest.

5 So what I would suggest to do to show how
6 these indicators apply is to look at one of the studies
7 that I would like maybe Mr. counsel to introduce. I
8 will begin with the first one which is The Economic
9 Impact of Tourism in Ontario.

10 MR. O'LEARY: That's the one with just
11 the line one...

12 MADAM CHAIR: All right. This will
13 become 2118.

14 MR. O'LEARY: I should point out for the
15 parties and the Board that the copy of the cover is
16 included under Tab 6 and a portion of it following
17 that. Starting at 10 under Tab 6.

18 MADAM CHAIR: I think we better sign it a
19 separate exhibit number in any event, Mr. O'Leary, and
20 that is Tab 6 of Exhibit 2110.

21 MR. O'LEARY: That's correct.

22 ---EXHIBIT NO. 2118: Document entitled The Economic
Impact of Tourism in Ontario.
23

24 DR. KUBURSI: Am I to understand also
25 that you have four flow charts in this exhibit?

1 MR. O'LEARY: The flow charts are
2 attached to the errata, Madam Chair. You will see them
3 in the past four pages of the errata.

4 MADAM CHAIR: Which exhibit number is
5 that, Mr. O'Leary?

6 MR. O'LEARY: 2110A.

7 MR. PASCOE: They are in your Tab 6.

8 MADAM CHAIR: Pardon?

9 MR. PASCOE: They are in your Tab 6.

10 MADAM CHAIR: All right. There are four
11 figures; 1, 3, 4 and 5?

12 DR. KUBURSI: Yes.

13 MADAM CHAIR: Dr. Kubursi, what is the
14 date of --

15 DR. KUBURSI: This was completed in 1988
16 or 1989, but it deals with data from 1955 -- sorry,
17 1985.

18 We have more recent figures. Actually,
19 the Ministry now produces this on a yearly base with a
20 one-year lag. So one is able to get exactly the same
21 type of results for 1990, and I presume that within a
22 few weeks you would be able to get 1991.

23 The issue here is primarily to show the
24 methodology, the type of results and the way impact
25 analysis have been used. The problem is that we have

1 comprehensive and some very good data on tourists
2 visiting 12 OTA regions; that is, ontario travel areas.
3 The province is partitioned into 12 regions and we have
4 several sources of data, one of which is OTS, Ontario
5 Travel Survey. It is conducted every two years and
6 some good data also comes from CTS, the Canadian Travel
7 Survey which is very comprehensive indeed.

8 It comes as a rider on the neighbour --
9 household neighbour survey. It covers about 35,000
10 people with the sample changing in part every six
11 months and people are asked about where they have
12 travelled and we consider a tourist anybody who has
13 travelled more than 50 kilometres away from his origin.

14 MR. MARTEL: What does that mean in
15 northern Ontario? No matter where you travel it is 50
16 kilometres from home.

17 DR. KUBURSI: Then we have lots of
18 tourismthere. We don't look at only individual
19 tourism. Actually, the Ontario one -- I mentioned the
20 Canadian one is 50. The Ontario one is 25.

21 MR. MARTEL: That even worse.

22 DR. KUBURSI: But the point is here that
23 we ask these people and we try to identify them under
24 four categories, groups: the local residents of the
25 province, U.S. visitors, visitors from other province

1 and visitors from overseas.

2 We would like them to say where they have
3 visited, the mode that they have used, how long they
4 have stayed and how much they have spent.

5 The expenditures are organized under six
6 specific categories: automobile expenses, public
7 transportation, accommodation, amusement and
8 recreation, retail trade, food and beverages.

9 You can see that the total from all
10 origins in 1985 dollars in 1985 was about \$8-billion.
11 This is the estimate of tourism expenditures in the
12 Province of Ontario.

13 Now, you can see that this breaks into
14 about 5.1 billion by Ontario residents visiting other
15 parts of Ontario and about 590 million visitors from
16 other provinces and about 1.6 billion U.S. visitors and
17 about 558 million visitors from other countries.

18 MR. FREIDIN: I'm sorry. Is there a
19 particular chart when you are referring to those
20 numbers, Dr. Kubursi?

21 DR. KUBURSI: Do you want it? Sure.
22 Figure 1 is the total.

23 MR. FREIDIN: The expenses, yes.

24 DR. KUBURSI: Figure 2 will give you
25 Ontario residents.

1 MADAM CHAIR: We don't have Figure 2.

2 DR. KUBURSI: Maybe we should input that.

3 You can always infer it by subtracting from the total,

4 but it would be nice --

5 MR. O'LEARY: We will get a copy and add
6 it to that.

7 MR. MARTEL: Can you just repeat the
8 figures, Dr. Kubursi.

9 DR. KUBURSI: The total is \$7.9-billion.
10 The Ontario residents \$5.1-billion, visitors from other
11 provinces \$589-million, U.S. visitors \$1.6-billion and
12 visitors from other countries \$558-million.

13 Now, the totals are allocated to the
14 respective categories. What we consider to be tourism
15 categories. See, tourism suffers from the fact it's
16 not like one single sector, but a combination of
17 sectors and the respective categories and the values
18 they receive are in the first group.

19 Now, this is important because if people
20 spend more on accommodation it will have a completely
21 impact than if they spent more on retail trade. They
22 will then tend to affect the different sectors and
23 perhaps affect differently the communities.

24 Now, if we look at the first figure that
25 I presume everybody has, we see that the total sales of

1 this \$8-billion translated itself into a total sales
2 figure or a total output of \$80.2-billion. Now, the
3 sales -- sales includes things more than once. Like,
4 if you sell things as wood and then you sell it as
5 chairs, you first add the wood and then you add the
6 chairs, but the chairs have part of the value of the
7 wood. So the total output figure or the total sales
8 figure tend to exaggerate the responses in the system
9 and there is a multiplier of 2.31, that for every
10 dollar expenditure about 2.31, \$2.31 tend to sustain --
11 tend to be sustained in terms of sales in the Ontario
12 market.

13 The story is totally different for income
14 because income is a net output figure. We subtract.
15 Thou shall not count things twice in economics, that is
16 our eleventh commandment, and we subtract these things
17 and then we have \$10.3-billion as our income and then
18 the income is divided into 5.6 -- almost 5.6-billion in
19 wages and salaries and about \$4.8-billion in other
20 income in terms of rent, interest and profits. The
21 income multiplier is 1.31 suggesting that for every
22 dollar increase in expenditures about an extra 31 cents
23 in income is generated.

24 In the last block we allocate this into
25 jobs. We have over 170,000 jobs. I have to be careful

1 here, to make a distinction between jobs and person
2 years. We don't calculate jobs, we calculate the
3 person years of employment because sometimes -- the 170
4 because of the fact that tourism is seasonal and there
5 are so many part-time it may be more bodies than it
6 would really indicate here, but it is 170,000 person
7 years of direct employment. Employment on the premises
8 of tourism establishments, of restaurants, hotels and
9 other and the first round of expenditures, and I will
10 try to explain in a second.

11 The indirect and induced employment is
12 about 232,000 of all these establishments and
13 activities in agriculture, in the car industry, the bus
14 industry, and others that need to increase the capacity
15 to sustain and deliver the required capacity for
16 tourist activity. It adds up to 402 million -- sorry,
17 402,000 person years.

18 Provincial tax is about \$1-billion.
19 Federal taxes -- by the way this was before the GST.
20 The proportions have changed a little bit given more to
21 the federal government, and the local taxes about
22 \$300-million. The total taxes adding up to
23 \$2.9-billion.

24 Now, if one were to look at the way these
25 figures are generated for each group you will find

1 there are some significant differences. So impact
2 analysis is telling us really to some extent that if we
3 really want to increase income most we really should
4 try to get visitors from other countries because they
5 tend on a dollar-by-dollar basis and the way they spend
6 to generate 32 cents for every dollar they spend.
7 Visitors from the U.S. tend to generate the lowest
8 income, about 22 cents.

9 Mr. Martel likes that one.

10 MR. MARTEL: They call them pork and
11 beaners.

12 DR. KUBURSI: Yes. Then tend to come
13 more to the south and only --

14 MR. MARTEL: They bring everything with
15 them but the kitchen sink.

16 DR. KUBURSI: Now, the more interesting
17 question relates to the second part of the analysis
18 which I will relate in terms of the document I have
19 with you. It is called Economic Impact of Tourism in
20 Northern Ontario.

I have chosen 1985. I could have brought
more recent figures, but I wanted to talk about this
sequel to the first one because that problem was very
much a very unique problem in 1985 that has continued
to be with us and may very well continue to be with us.

1 but it was the first time we studied it in detail and I
2 would like to relate it to the one I have chosen for
3 1985.

4 MR. O'LEARY: Again, Madam Chair, that's
5 another document, a portion which is reproduced under
6 Tab 6. In fact, that's the one at page 10 of the
7 earlier one that is at page 7 under Tab 6. I believe
8 we left a copy with you yesterday as well.

9 MADAM CHAIR: Okay. Where are we, Mr.
10 O'Leary?

11 MR. O'LEARY: This is the one that says
12 Impact of Tourism in Northern Ontario.

13 MADAM CHAIR: We have got that. Which
14 page are we on?

15 MR. O'LEARY: Dr. Kubursi is going to
16 take us through that. I thought perhaps we could mark
17 it as an exhibit first of all.

18 MADAM CHAIR: We did mark it as Exhibit
19 2118.

20 MR. O'LEARY: No. The one that we are
21 referring to at that point was just Economic Impact of
22 Tourism in Ontario. You will see there is another one
23 there.

24 MADAM CHAIR: I have got Economic Impact
25 of Tourism in Northern Ontario. I don't have just

1 Ontario.

2 DR. KUBURSI: They only had the errata of
3 this one.

4 MR. O'LEARY: I see.

5 MR. MARTEL: It is part of the paper war.

6 MR. O'LEARY: I am confused then.

7 DR. KUBURSI: I suggest that if the panel
8 might like to have the whole copy we can Xerox this,
9 but you have too much paper anyway.

10 MR. O'LEARY: All right.

11 You are correct, Madam Chair, that's 2118
12 and the flow charts that we were just referring to come
13 out of The Economic Impact of Tourism in Ontario and we
14 have provided under Tab 6, page 7, the Forward, an
15 executive summary and now the flow charts are attached
16 to the errata and they are also part of the executive
17 summary.

18 MADAM CHAIR: That's fine. We are going
19 to leave these figures and you are going to provide
20 with us Figure 2.

21 MR. O'LEARY: That's correct.

22 MADAM CHAIR: And we are going to leave
23 those as part of Tab 6.

24 MR. O'LEARY: All right.

25 MADAM CHAIR: So, Dr. Kubursi, are we on

1 to the Tourism in Northern Ontario document?

2 DR. KUBURSI: Right. The issue was that
3 until 1985 all regions within Ontario realized economic
4 impacts that exceeded the initial tourism expenditures.

5 There wasn't a single region -- and here
6 the regions I'm talking about are the OTAP regions.
7 Each and every one of them realized the impacts that
8 exceeded the initial expenses.

9 The north benefited particularly before
10 1985 realizing proportionally higher impacts,
11 particularly income and employment than expenditures.
12 When we say disproportionately higher, the way we figure
13 these out would be the following. We negate
14 percentages of income of each and every region - this
15 is the base year, let's say 1985 - for all activities
16 and this will entitle, for example, the north for, say,
17 10 per cent and then we look at tourism activity alone,
18 we allocate this impact, we calculate the percentages
19 and find it is giving the north 10 per cent. So in
20 that respect tourism and all other activities have
21 similar regional impact.

22 If, on the other hand, we found that
23 tourism gives 12 per cent to the north when total
24 economic activity only get gives 10 per cent, then we
25 would fine that tourism is disproportionately or is

1 giving more to the north than their income or
2 population relatives would have entitled them.

3 We find that between 1980 -- sorry, 1976.

4 I started doing this since 1976 and we have done it
5 every year. The north realized higher income and
6 employment shares from tourism than they were deriving
7 from total economic activity or what their population
8 share would have been entitled them.

9 In 1985 was a watershed, the trend was
10 reversed. All of a sudden we found that even in
11 tourism was giving less to the north than what their
12 population share or their total income would have been
13 entitled them.

14 The issue, what expenses, and because of
15 that problem we went to look in detail about reasons
16 that this is the case. We found really two tracks that
17 we had to consider, two ways, two broad categories that
18 need to be considered, the demand side and the supply
19 side, because the ability of the region to partake,
20 participation, share in the total economic activity
21 depends on its share in the total demands and also in
22 its ability to retain, to observe, to digest the
23 impacts of the demands.

24 We found that the demands were changing
25 against the north. Remember, we just came out from a

1 very terrible recession and tourism was still weak and
2 feeble and incomes have not increased measurably yet
3 for this activity to increase and there have been some
4 significant drop in the demand for tourism by Ontario
5 residents.

6 I mean, Ontario residents -- tourism
7 expenditures explain much of the impact of tourism and
8 there we found that there had been some weaknesses,
9 particularly in the share of the north to the south.
10 This is a time when still oil prices were still high
11 and incomes were not very high.

12 So there was really some sort of a
13 diversion, so to speak, a substitution of local closer
14 areas to further away areas, but more importantly we
15 found that two regions, North of Superior and
16 Nippising, accounted for most of the decline and
17 equally important is the fact that the trouble was on
18 the supply side.

19 While manufacturing activity in the
20 province increased by 65 per cent, manufacturing
21 activity between '82 and '85 in Ontario increased by
22 about 65 per cent, the same activity increased only by
23 35.7 per cent in the north in the same period.

24 The manufacturing activity appeared to be
25 redeploying, so to speak, or there was a differential

1 impact in the way manufacturing activity tended to be
2 concentrated in the south and have really made a
3 recovery that the north did not share, the north being
4 much more resource dependent and resources were not
5 affected commensurately as others were.

6 Actually, when we looked at the full
7 picture and tried to assign the relative contribution
8 of demand versus supply factors we found a very
9 significant result. 65 per cent of the trouble in the
10 north was the deficient supply, economic base issues
11 and only 35 per cent can be explained by demand factors
12 and this is a very important finding in the sense that
13 you could spend as much as you want in tourism in the
14 north. It would not stay unless there exists a
15 comprehensive, well-established, entrenched economic
16 base capable of sustaining these demands.

17 In that respect one would very much
18 appreciate the picture that is emerging. It is a long
19 held view by economists and for years it was
20 substantiated that tourism runs counter to the
21 established trend in the sense that it is a regional
22 corrective factor, whereas most industrial stimulated
23 activities or industrial bias activitied tend to
24 contribute much more in the south than in the north.

25 Tourism by its very nature, because it

1 shifts the location of consumption, tends to favour
2 relativity the north more than the south and in a way
3 it was acting to correct some of the imbalances, but in
4 1985 that story started to cloud itself.

5 We were able, we were afforded, and
6 economists are not very fortunate to have many natural
7 experiments, but 1985 was some sort of a natural
8 experiment for us that gave us at least a way to
9 partition the impact and to say that demand factors are
10 important, but only 35 per cent of the solution and 65
11 per cent of the solution remains to be economic base
12 oriented, but this is, again, a way in which economic
13 impact analysis provides a tool, a relevant tool
14 allowing us to determine the contribution of various
15 economic activities not only to the sectoral mix, but
16 also to the regional allocation of impact over space.

17 Well, I would like to draw the attention
18 of the Board too, if I this may, to the last
19 application and this is Economic Impact of the Remote
20 Tourism Industry, North Algoma.

21 MADAM CHAIR: Again, Mr. O'Leary, we have
22 an excerpt of this behind Tab 6, but let's give the
23 entire study a separate exhibit number. This will
24 become Exhibit 2119.

25 MR. O'LEARY: Thank you.

1 MADAM CHAIR: It is dated March 5, 1990

2 and -- how large is this document?

3 DR. KUBURSI: Did you copy it over in
4 full? It should be...

5 MADAM CHAIR: It has 15 pages plus some
6 number of attached statistical information.

7 DR. KUBURSI: Right, that's the one.

8 MADAM CHAIR: The author is Econometric
9 Research Limited and the Ministry of Tourism and
10 Recreation.

11 DR. KUBURSI: Right.

12 ---EXHIBIT NO. 2119: Document entitled Economic Impact
13 of the Remote Tourism Industry
14 North Algoma, dated March 5,
15 1990, authored by Econometric
 Research Limited and the Ministry
 of Tourism and Recreation.

16 DR. KUBURSI: This addresses the problem
17 that the tourist operators in the north started to face
18 an increasing challenge and pressure from a number of
19 competing uses and users and claimants on the resources
20 and the location. Mineral exploration, forest
21 industry, municipal councils, resident sportsman all
22 have sought access to areas that have long been
23 considered the natural and traditional preserve of the
24 tourist industry.

25 The question was, to what extent is this

1 industry contributing to the local economic base. How
2 might we assess the relative position of this activity
3 and the way it contributes and relates to its economic
4 base.

5 The area of study was Wawa, Hearst and
6 Hornepayne - perhaps the last remaining high quality
7 remote tourism areas in northeastern Ontario - and the
8 way it was done was to ask the reporting participants,
9 I suppose there were about 25, almost 88 per cent, 22
10 of them have supplied financial statements, exact
11 duplicates of the ones that they had supplied to the
12 government.

13 This was the best study I have ever done
14 because people tend usually to retrain and are very
15 zealous about avoiding contributing data. So if there
16 is really any credibility to some of these studies that
17 depend on questionnaires, this is based primarily on
18 actual reported financial data to the government.

19 We have identified \$8.1-million to have
20 been spent by the reporting establishments on normal
21 operations and on capital improvements and acquisitions.
22 The year of study is 1988. This expenditure sustained
23 \$12.5-million of income, a tax revenue of \$3.1-million
24 and more than 380 person years of employment could
25 legitimately be attributed to this activity.

1 This is province wide. This is the way
2 it relates to the economy of the Ontario as a whole.
3 The way it relates to the immediate region in which it
4 is located is understandably smaller, but nonetheless
5 significant. The total employed in the region
6 associated with the reporting establishments is 181
7 person years or about 46 per cent of the total
8 employment associated with this activity.

9 It is slightly higher for income because
10 there we have to really add also the income of the
11 shareholders and the owners of the activity, about 50
12 per cent.

13 The share of sales, again, understandably
14 it is much lower, 37 per cent, having to draw on
15 resource and supplies far away from the area.

16 I would like to refer you, if I may,
17 within this exhibit to Table 1.1, page 5 and the way we
18 report things. Notice that we have picked a number of
19 indicators so that impacts should not really be done or
20 carried out in terms of only employment, but there are
21 really several significant activities.

22 I mean, one thing that is extremely
23 important here for remote tourism, 95 per cent of the
24 income is generated from outside the region and could
25 legitimately considered to be total exports because it

1 earns primarily foreign exchange. I mean, if the
2 economy values exports and ability to reduce the huge
3 tourism deficit balance that Ontario maintains with the
4 rest of the world, then this is a contributing factor
5 and needs to be taken into account.

6 The table is organized. We have gross
7 output. This is the turnover, sales. Again, we have
8 it in terms of direct and directly induced and total,
9 the multiplier. The multiplier is derived by dividing
10 the total impact by the initial expenditures.

11 Value added is income and this is a very
12 important concept. I will try to relate it to what Dr.
13 Victor was talking yesterday about and the 16.7 is
14 reduced to 12.5.

15 Labour income, which is wage and
16 salaries, 7.3 million, 380 person years, direct 153 and
17 then indirect and induced to 28.

18 Taxes, you have really the federal 1.7,
19 the provincial 1, about 400,000 municipality, and then
20 you have the imports and I have reported elsewhere
21 exports so one is able to see how it relates to the
22 rest of the economy.

23 Notice that other countries tend to
24 figure highly. They tend to buy quite a bit of
25 equipment and finished package food from the United

1 States.

2 The next exhibit gives you this other
3 dimension I talked about. I would like to call this in
4 this first table as divert perspective and we try to
5 give the horizontal perspective on the next table.

6 MR. O'LEARY: Q. That's Exhibit 2.1 on
7 page 6?

8 DR. KUBURSI: A. Right. Here you will
9 notice that every single activity is reported in
10 dollars and in percentages in terms of the four
11 critical variables: gross output sales, value added
12 which is income, labour income which is part of total
13 income and employment and person years and notice here
14 the impact is North Algoma and is a separate entity,
15 other Ontario and total Ontario and then the
16 percentages and the way they allocate those. So you
17 have any way a measure of how this activity relates to
18 other activities.

19 In the document we also present a number
20 of other results, but particularly one that I would
21 like to emphasize and that is really necessary in any
22 economic base analysis. It relates the impacts to the
23 component factors. How much each activity, whether it
24 is agriculture -- I presume everybody has the document
25 so I can refer you to page 8. You have about 25

1 sectors that organize as primary which includes
2 agriculture, forestry, fishing and mining and then
3 manufacturing, then construction, utilities and so on
4 and services, but you can see that you have 181 person
5 years of employment and most of them tend to come
6 primarily from services. Very little of them come from
7 the industrial sectors.

8 The trouble is that you have such a
9 deficient economic base that is not able to retain and
10 sustain. If one really wants to talk about increasing
11 the impact or alternative jobs and employment and
12 maintaining the health and stability and the viability
13 of the north I think they ought not look only at
14 relative expenditures of tourists, but at some
15 fundamental expenditure, investment and infrastructure
16 of the north.

17 Okay. Now, where does this all lead us.
18 I would like to leave the panel with --

19 MADAM CHAIR: Excuse me, Dr. Kubursi.
20 Before you leave the North Algoma area, what were the
21 number of visitor days or visitors in the period you
22 looked at?

23 DR. KUBURSI: All right. That is a very
24 relevant question. We did not look at the visitor
25 days.

1 I mean, any study, you can approach it
2 from two sides. You can approach it from the demand
3 side which we call visitor expenditures or you look at
4 it from the supply side from the establishments
5 generating the revenues.

6 You see, in the first one we stopped the
7 tourist on the road, hopefully he would answer or she
8 would answer and we ask them questions or we sent them
9 the questionnaires as they embarked from a plane or
10 some place and asked them to send it some place and
11 this is asking them to record how much they spent.

12 This is from the demand side. Everything
13 is accented and the focus is the tourist. Or we go to
14 the establishments that are catering to tourists and
15 ask them: What are your total revenues, how much money
16 did you make. Well, presumably they made, especially
17 remote tourism, from visitors, but we won't be able to
18 tell the exact number of visitors. We could. I mean,
19 we could. We could look at person nights, but this was
20 not the focus. The focus is, what is the total
21 revenues you have generated and this is taken
22 presumably to be from tourists. Local people are not
23 going to come and visit these places.

24 MR. MARTEL: How do you use that, though,
25 against the other things we are attempting to look at?

1 I mean, this tells us what a tourist
2 operation in the area can -- the amount of revenue it
3 can generate, but what do we do with it, though?

4 Once you have got that, where do you take
5 it in comparison to what we are looking at in terms of
6 much how do you measure that against everything else
7 that this panel is looking at?

8 How do the two work one against the other
9 or with one another or whatever way you want to look at
10 it because when one reads material one gets some
11 impressions and that's why some of the questions we
12 posed was to get a handle on what the bottom line is.

13 I think we gave your panel probably more
14 questions than we have ever given anyone else in terms
15 of trying to get to that, the direction we are asking
16 being asked to look to.

17 DR. KUBURSI: I think you asked a very
18 legitimate question. Let me show you how this might
19 help you answer some of these questions.

20 I'm sure you recognize that when we
21 undertook these studies our frame of reference was
22 totally different, but let me see to what extent I can
23 sit back and say how this might be useful to the kind
24 of things and the questions and concerns that you have.

25 Well, in two respects. First, this gives

1 us the bottom line. If one were to ask the question:
2 Suppose that this activity is going to be encroached
3 upon and limited and maybe even extinguished, totally
4 dismantled, it would give you a way, a measure, a
5 quantifiable measure of the extent of impact this may
6 have not only on the owners of capital, right, the
7 operators because we can tell you what the profits are,
8 but this is not the only issue.

9 The issues are much broader. The amount
10 of jobs and the way it relates to the local economic
11 base; how much income, how much taxes the local
12 community is going to lose on the presumption that
13 there might not exist -- and, again, this is the same
14 thing that Dr. Victor yesterday was trying to point
15 out. Everything is so much contingent and dependent on
16 the existence of alternatives.

17 If we were to assume that the alternative
18 is unemployment, then we would be able to tell you the
19 loss person years, tax base.

20 Now, you might really want, as you
21 mentioned yesterday, to say that these people would be
22 on unemployment insurance and continue this, but then
23 the difference between what they were making and what
24 the government would be giving them would be then some
25 sort of measure of what will be the bottom line of

1 losses that would be incurred by the community to the
2 shutdown and extinction of this operation or to any
3 proportion.

4 Two, I think you have a more much
5 interesting question and I think this is kind of thing
6 I think the terms and conditions of OFAH and the NOTO
7 association were, as I understood them, to be in
8 question, that you have to look at the full gamit, at
9 the full range of activities.

10 You can't look at only the contribution
11 of harvesting, access road, maintenance and renewal,
12 but you also have to look at the competing activities
13 and the things that Dr. Victor talked about in terms of
14 recreation and other non-timber values in the
15 community. One.

16 Two, in the new studies I think I have
17 come closer this time to answering some of your
18 concerns. I have felt and I was under pressure, I must
19 say, from the ministry that from now on if I were to
20 submit a report to them or to construct a capacity, as
21 I have indeed did, for them to use it is incumbent upon
22 the supplier to provide the positioning of the tourism
23 activity in perspective, in relation as a percentage of
24 the total employment of the economic base in which we
25 live.

1 So then it must must really be the case
2 and hopefully it will be case that every other activity
3 will position itself in this respect. So ultimately we
4 have a standard, common measuring route that will allow
5 us -- at least from economic impact because this is
6 only one indicator I must emphasize and indicate where
7 we would put the tourism activity vis-a-vis other
8 activities in relation to other activities.

9 DR. VICTOR: Perhaps I could add
10 something to the answer if that would help.

11 You asked the question in terms of the
12 bottom line; in other words, how do you assemble these
13 different pieces of information, the results of
14 different analyses to get the one final answer.

15 As much as we would all like, I believe,
16 to have a way of reducing all of the many aspects of
17 the problem to one common dimension so that you have a
18 bottom line exactly as they do in private business when
19 you can look at the bottom sheet and look at the net
20 profit, we can't do that and that's not what we are
21 suggesting.

22 So it does mean in the end that all
23 players, yourselves, if these ideas are accepted, the
24 analyst, everybody is faced with the problem that you
25 will have a set of measures relating to each

1 alternative timber management plan.

2 You will have a measure in terms of the
3 contribution to well-being that the kinds of measures
4 that I was talking about yesterday can generate,
5 comparing the value of a resource in terms of
6 non-timber values and timber values. You will have
7 those things compared in common units to a fairly high
8 degree, then you will have also have the results of the
9 kinds of approaches that Dr. Kubursi is putting forward
10 which deal with the employment and the taxes and so
11 forth.

12 That's why we have suggested the approach
13 of multiple accounts. Recognizing that it can't all be
14 reduced to one single index which tells us overall
15 whether alternative A is better than alternative B, but
16 at least we can make the information systematic and
17 group in to a small set of accounts and that then goes
18 forward as the basis for the decision.

19 MR. MARTEL: I think my concern, though,
20 becomes one and I think -- well, I won't speak for my
21 colleague, but we have discussed it many times, if one
22 attempts to measure - and I think it is one of the
23 questions we put to the panel - if we attempt to
24 measure strictly the economic value of tourism as
25 opposed to the economic value of, let's say, the forest

1 industry per se, because the demand -- and the
2 comparison we use in many instances are American
3 comparisons where the populations are in tens of
4 millions of people as opposed to northern Ontario which
5 has a relatively small number of (a) people, (b)
6 visitors, that if you try to measure those two -- maybe
7 I am wrong, but it seems to me that the economic
8 analysis would never be very sympathetic to the tourist
9 industry because the usage and the volume is much less
10 than where you have got large population centres and .
11 you are trying to get more from the total output of the
12 forest because of the demand by the large numbers of
13 people.

14 We don't have that and that's why we have
15 been trying to get figures on effects on tourism, the
16 number of people who come to the north to try to get a
17 handle on what people are really asking to us to look
18 at because I have the fear that if you just measured
19 tourism against forestry tourism would really take a
20 beating. Maybe I'm wrong.

21 DR. KUBURSI: I think -- may I?

22 MR. MARTEL: Yes.

23 DR. KUBURSI: I think the issue needs to
24 be defined a little bit differently.

25 MR. MARTEL: All right. Help me.

1 DR. KUBURSI: I think nobody is arguing
2 here. I'm not and I'm sure Dr. Victor is not that we
3 want either forestry or tourism. This is not the
4 issue.

5 The questions we are talking about are in
6 the timber management unit framework. If there is
7 going to be a proportionate change where the
8 proportions will go more in favour of one use versus of
9 the other, that ignoring impact of tourism need not
10 really be looked at purely in terms of one indicator or
11 two but several and economic impact is one of them. If
12 we really use it, we won't look only at the profits of
13 the undertaker or the operator, but the way it relates
14 to the local community.

15 There are also -- this is one of the many
16 narrowing focus views. I have another contention here
17 and I hope this would really, you know, get some sense
18 with you too, and that tourism need not only be
19 evaluated in terms of the value intrinsic to the one
20 who definitely by going there, travel course and
21 otherwise demonstrated this importance or in terms of
22 the jobs.

23 There are about six other indicators that
24 one ought to consider. One, any way is the
25 non-consumptive use of nature. Let's put it on a scale

1 or something that draws on resources, eats wood and
2 comes and enjoys birds and enjoys nature. So it has
3 something to do with that cultural
4 conservation/preservation which I hope increasingly we
5 are called upon to instill and ingrain in our ways of
6 thinking in our children.

7 MADAM CHAIR: Excuse me, Dr. Kubursi.
8 That's excluding any hunting or fishing that is done by
9 visitors?

10 DR. KUBURSI: I am talking about the
11 non-consumptive uses or, say, consumptive uses that
12 still maintain the generation capacity or whatever it
13 is, but I mean would one could really look at it from
14 different angles.

15 MADAM CHAIR: Well, we have been
16 certainly been introduce to the concept of ecotourism
17 but we don't have any evidence in front of us as to
18 what exists. We don't know.

19 DR. KUBURSI: I am talking about it in a
20 general framework in the sense that whatever we have at
21 least let's preserve. Would that make sense?

22 MADAM CHAIR: No argument from the panel,
23 no.

24 DR. KUBURSI: But the other issue, and
25 this is I think something that Mr. Martel is worried

1 about and I am worried about and I have worked quite a
2 bit in the north, about losing increasing our economic
3 base in the north and to what extent tourism can come
4 to complement and rejuvenate, not substitute.

5 I am really strongly advocating here to
6 you that any idea of just thinking of tourism as
7 something that can substitute for a strong economic
8 base is not acceptable.

9 I mean, one has still to look at the
10 north. We are trying to see to what extent if tourism
11 is going to be there that we have sufficient production
12 capacity to cater and supply from the north the demands
13 of the south.

14 MR. MARTEL: See, the north has been
15 studied to death, as you know. There have been more
16 government documents about the north. There wouldn't
17 be enough room to put them all in this room here.

18 DR. KUBURSI: I'm aware of that.

19 MR. MARTEL: The latest studies a couple
20 of years ago said the north can't rely on tourism to
21 offset the job losses in other sectors. It's just not
22 there.

23 Then trying to measure it and to do it in
24 those terms that we are going to use tourism to offset
25 jobs that might be lost in another sector, what I know

1 about the north, would not resolve the problems of the
2 north at all because of the factors you mentioned
3 yesterday and Dr. Victor, it is seasonal, you said this
4 morning, it is certainly not the highest wages.

5 So when people say these terms might mean
6 so many jobs in another sector to protect this, what
7 are we being asked to do?

8 I mean, the difficulty that tourism
9 simply cannot meet the needs of northerners and I guess
10 it was Rosehart's report in 88/89 that said if you are
11 going to rely on tourism to resolve the problems of the
12 north forget it.

13 DR. KUBURSI: Maybe this is not the
14 issue.

15 MR. MARTEL: Okay, but that's what I am
16 trying to get at. How do we arrive using the material
17 you are presenting, for example, to make the decisions
18 that can try to -- because if you do it strictly on
19 economics, and we have heard a lot of that, there was a
20 variety of economic jargonese, if I can use the word,
21 that in the final analysis could, if you just relied on
22 economists, hurt the tourist industry if you were
23 weighing them strictly on economic terms.

24 My colleague and I, we have wrestled with
25 this problem over and over again to try to look at

1 where we go and how we do it.

2 DR. KUBURSI: You see, I think maybe we
3 ought to look at it differently. I respect totally and
4 I understand fully what you are talking about, but what
5 I am really saying is, perhaps this is not issue and
6 need to be seen a little bit differently and I am going
7 to try.

8 MR. MARTEL: All right.

9 DR. KUBURSI: See, we have two problems
10 in the north among many. One of them is the small
11 markets and whatever we do goes to the south.

12 Tourism in some respect exactly works on
13 both. It brings people in so it increases the size of
14 the market and, two, it's really bringing things from
15 the south back to the north. So in some sense it
16 really address these things.

17 Now, I don't want it to be a substitute
18 for what there is. I would like it to be a compliment,
19 an addition and that's a very important aspect. All we
20 are really saying here is, only at that margin of
21 conflict do we really want in the timber management
22 considerations where multiple purposes have to be
23 taken, once we get to that margin of conflict, then the
24 kind of questions that we are talking about will become
25 really relevant at that margin, but the issue is that

1 tourism really to be seen as to substitute for paper or
2 for mining or for that, I'm not advocating that.

3 DR. VICTOR: Can I amplify on that?

4 MR. MARTEL: I'm not suggesting you are
5 advocating that.

6 DR. KUBURSI: Or economists would.

7 That's what I am hoping.

8 MR. MARTEL: The fear is that -- let me
9 try again. If you measure it in economic terms
10 strictly, and you are saying no, we wouldn't do that.
11 It is when it becomes marginalized in the conflict we
12 have to look at the multi-concept use.

13 DR. KUBURSI: Right.

14 MR. MARTEL: We have heard suggestions --
15 the comparisons we have seen to date, the material have
16 been -- maybe I am wrong, but comparisons where there
17 is massive populations in the United States.

18 Look around, southern Ontario within a
19 one hundred miles of the American border there is a
20 hundred million Americans. I mean, when they look at
21 their parks and they look at their timber management in
22 those areas they have to be -- I don't want to use the
23 term much more careful because I think we were
24 hopefully moving to that in our forestry, but more
25 careful in the sense that they have to provide to a

1 greater mass a lot of other opportunities and you can
2 measure it in economic terms, tourism versus forestry,
3 because there is a hundred million people within the
4 area, but with us there is less than a million in
5 northern Ontario, massive area and just to say: Well,
6 we can measure this economically and make the
7 comparison - and that's what has been presented to us
8 primarily so far, those type kind of comparisons - will
9 not lead to the type of solutions I think you are
10 talking about or looking for.

11 DR. VICTOR: Could I give you a comment
12 on this. As Dr. Kubursi has I think tried to say, we
13 are not here comparing tourism versus the forest
14 products industry from the point of view of what will
15 ultimately save the north. That's not the issue.

16 It is an interesting issue, but the issue
17 that we are trying to address is, faced with
18 alternative timber management plans for a particular
19 area what information can be brought forward and should
20 be brought forward to make that comparison, and what we
21 are saying is that there are two components of the
22 information that we can help you with.

23 One is the relative value of the area in
24 term of its capacity to supply timber values and
25 non-timber values, and the second is the impact of the

1 two or more different plans that have to be evaluated
2 on the local economy and the wider provincial economy.

3 So there is a larger issue perhaps of
4 developing a broadly-based economic strategy for the
5 north, but that's not the thrust of our evidence.

6 The thrust of your evidence is that faced
7 with the task of formulating and comparing alternative
8 plans these aspects that we are here talking about are
9 of relevance.

10 Now, that's not to pre-judge the issue.

11 I'm curious at your suggestion that we already know the
12 answer to an analysis done in those terms. The
13 implication being it will always favour cutting the
14 trees down and sending them to the sawmills versus some
15 other use.

16 As much as anything else, we may be
17 talking about different location of an access road.
18 So, in other words, the supply of timber may not be the
19 issue of all. It is just how it is accessed from the
20 area and it is at that sort of level that a
21 consideration of the non-timber values as well as the
22 provision of local impacts could be a really important
23 deciding factor.

24 So I suppose what I'm saying is our
25 contribution to this discussion, a decision ultimately

1 has to be made, has to be seen as coming at it at a
2 rather more modest level than helping you with
3 formulating a whole plan for the north.

4 MADAM CHAIR: What we have been
5 discussing in the last few minutes, and I think you
6 have put your finger on it, Dr. Victor, is that you
7 aren't able help to as much as you would like with
8 those decisions.

9 In fact, when you look at something such
10 as the north Algoma tourism study you really have only
11 done half the job. Had we said to you: You come to
12 us, you do a quantitative analysis, you show us where
13 there is tourism impact and compare that to some other
14 impacts - I don't care if it is the forest industry,
15 trapping or whatever - then we would have in front of
16 us some sort of an economic analysis.

17 The Board would not argue for one minute
18 that anyone would sit down and say: Well, tourism is
19 worth "x" dollars and forestry is worth "x" dollars,
20 although the interesting question is, once you produce
21 those data they are used and they are beyond the
22 control of the Board how they are used and our feeling
23 is, because we haven't seen in front of us those kinds
24 of numbers, our feeling is that when it comes to the
25 size of the forest industry because it is a very large,

1 well established industry in northern Ontario and it is
2 high income and it has many economic benefits, our
3 feeling is when you make those comparisons at a local
4 level you are usually going to be put in the position
5 where you are going to give ample evidence to the large
6 industry that its economic weight is greater than
7 something such as tourism.

8 Now, you can argue that that's not the
9 case, but of course we don't have that evidence and our
10 position is, we don't want to put any party at the
11 hearing in a position where someone would say: You
12 can't be protected because you don't have the economic
13 muscle to deserve it.

14 We would never approve an application
15 where it required someone to show that they had value
16 in terms of money to be protected in the forest.

17 DR. KUBURSI: You are absolutely right,
18 but let me see if I can draw the gist of what is going
19 on and see if we are really communicating on a common
20 basis.

21 One, I talked a little with Dr. Victor
22 and I think this is -- it seems like to be your view
23 too, that here we have to standardize our approach. I
24 mean, if we are talking about one activity versus the
25 other we can't just say: You destroyed this and we

1 destroyed all of this. We have to talk about some
2 margins. I mean, things have to be put on a common
3 unit basis. Like, if I am destroying \$1-million of
4 this I have to really be talking about the other
5 million there. It can't be just nothing for all. I
6 mean, there is really quite a bit of points on that
7 interval that we have to standardize.

8 So when we are talking about the margin
9 of conflict of \$1-million, then it should be the
10 \$1-million in the industry versus \$1-million there, but
11 not one million here versus the whole industry of one
12 billion. This is the important aspect, to standardize
13 and to talk about common units.

14 Two, the issues here are not the
15 development of the north, but talking about the timber
16 management concentrations and competing alternatives
17 and these margins of competition where we want to have
18 those things, and there we are really saying: Okay, we
19 have tools and each one of them -- I don't want this to
20 seem to be, and hopefully I am sure you won't or
21 anybody would suggest to you to base it on the
22 intrinsic value only.

23 MADAM CHAIR: That's all right to say
24 theoretically, Dr. Kubursi, but, as you know, in the
25 north and certainly in the satellite hearings we have

1 had a taste of the fact that these are not conceptual,
2 that there is very much argument and conflict and each
3 interest is very -- I think believe very strongly they
4 have credence or their value should be protected--

5 DR. KUBURSI: Absolutely.

6 MADAM CHAIR: --and by giving economic
7 value to those interests, then I think you do start to
8 have a rating. You can say to the public: These
9 dollar amounts are for purposes of something more
10 theoretical than making a final decision about which
11 values you protect and which you don't, but I would
12 suggest that that wouldn't be possible.

13 DR. KUBURSI: You're absolutely right.

14 You are giving rating within a subset. Suppose we
15 compare two activities in terms of intrinsic value and
16 one dominates, let's say, on intrinsic value tourism
17 dominates by far, let's say this, and then look at the
18 economic impact and by far the forest industry
19 dominates tourism, which one would you choose?

20 See, the issue is how you really bring
21 all these things together and there is no escape from
22 the fact that it's up to the elected people,
23 representatives - this is the way we solve things in a
24 democracy - through themselves and through the
25 participation process of the public and stakeholders to

1 register their wants and their intensities and then up
2 to those whose life depend on the decisions they make
3 to make the appropriate decision by weighing these
4 things the way they choose and stake their careers or
5 lives and office on them.

6 I mean, that's the way we solve things,
7 but not one of us is telling you that economic impact
8 is more important than intrinsic value or intrinsic
9 value is more important.

10 We are saying these are alternative
11 perspectives, that you ought to look at them and then
12 it is up to the decision makers through the
13 participation process and the democratic way we run
14 things to choose what weight we put on these things.

15 That's all we're saying.

16 You see, I want to come here without
17 looking to be in a position of advocacy here, and take
18 two contentions about tourism because I have really
19 looked at this very carefully. I would like to share
20 these results.

21 One, we have this general view that
22 tourism pays very low wages. It is, it does. It's not
23 anything that they hide or anyone can hide, but let's
24 look at Hawaii. It has the highest per capita income
25 in the United States and it depends totally on tourism.

1 How on earth is this true.

2 This is a fact that every study has
3 shown, that despite the fact that they pay very low
4 wages, the way they relate to other sectors that bring
5 all these lawyers, very expensive, and economists, they
6 do ultimately produce quite a bit of wages.

7 MR. MARTEL: Okay, but, you see, that's
8 fine if you have got an industrial base around it.

9 DR. KUBURSI: Absolutely.

10 MR. MARTEL: But if you only have the
11 tourist base in an area, I suspect one would find --
12 and if you look at countries that rely primarily on
13 tourism for survival, I mean, the standard of living
14 isn't that high and that's the difficulty when one is
15 looking at this, that one has to look at it as a total
16 package, otherwise if one is to isolate tourism -- I
17 mean, one looks at any of the other countries in Latin
18 American where tourism is the, in many of them, the
19 major economic form of livelihood, the standard of
20 living for the masses is not very great.

21 DR. KUBURSI: You're absolutely right.
22 This is exactly the things we are trying to pinpoint
23 here. It depends on how the tourist industry relates
24 to other activities and we have to look at the whole
25 picture.

I might add, Hawaii doesn't have much industrial base. It's just the fact that it has really such high skill and the kind of activities it bring about from real estate to all other activities tend to be high paying and contributes in a very substantive way to the way the system runs to compensate for whatever imports of goods and services from the mainland.

MR. MARTEL: But you can look at Jamaica, you can look at Haiti, you can look at the Dominican Republic, you can look at Cuba and what have you got?

DR. KUBURSI: The economic base is deficient, the level of education is low and so on, but then you are absolutely right, we should not talk about an economic activity as a separate isolated --

DR. VICTOR: Could I just add one more point because I am sure you want to move on, but I think what I am learning from this exchange is that you are very interested in the impacts of alternative plans in the north and that apparently is what you heard from the people up there.

They are very concerned about how different options are going to affect them in terms of their employment and wages and so on.

All Professor Kubursi is saying is that

1 indeed we have the tools to do that analysis, and given
2 that we have the tools to do that analysis we are
3 advocating the position that these tools be used in the
4 formulation and assessment of alternative plans.

5 That's all we are saying.

6 We are not even trying to guess at the
7 results of doing that, but we are saying the concerns
8 are there and we have the analytical tools to address
9 them and that these tools should be used, and that's
10 it.

11 DR. KUBURSI: I think Dr. Victor has
12 exactly put me in a good position to conclude things
13 because it is just exactly mentioning the things I
14 would like.

15 MR. O'LEARY: I would just like to
16 interrupt. I see it is getting close to break time and
17 it might be an appropriate time to break.

18 MR. MARTEL: Past.

19 MR. O'LEARY: Past break time.

20 MADAM CHAIR: Would you like to have a
21 break and then wrap up, Dr. Kubursi?

22 DR. KUBURSI: Sure. I can take a break
23 and come back. I'm easy, whatever you like.

24 MADAM CHAIR: How would will be you
25 concluding?

1 DR. KUBURSI: About 15 minutes.

2 MADAM CHAIR: All right. Let's take our
3 break now and we will be back in 20 minutes.

4 ---Recess at 10:35 a.m.

5 ---On resuming at 11:50 a.m.

6 MADAM CHAIR: Hi, Dr. Kubursi.

7 Shall we wait for Dr. Victor?

8 MR. O'LEARY: He will just be a second,
9 Madam Chair. Perhaps we should.

10 MADAM CHAIR: Go ahead, Dr. Kubursi.

11 DR. KUBURSI: Madam Chair, Mr. Martel, I
12 would like now to do three things.

13 One is to point out before I conclude
14 that I have more recent studies along similar lines to
15 the north Algoma that I would like to enter as an
16 exhibit if Mr. counsel would please help me.

17 This is The Economic Impact of the Remote
18 Tourism Industry, the Upper and Lower Spanish Forest,
19 March 1991.

20 MADAM CHAIR: Dr. Kubursi, we have the
21 excerpt of four pages and you are entering the entire
22 document?

23 DR. KUBURSI: The four pages will be --

24 MR. O'LEARY: Just the first four pages.

25 MADAM CHAIR: I think the Board would

1 like to see the whole document. We will give that
2 Exhibit 2120.

3 MR. O'LEARY: Sure.

4 ---EXHIBIT NO. 2120: Document entitled The Economic
5 Impact of the Remote Tourism
6 Industry, the Upper and Lower
7 Spanish Forest, dated March 1991.

8 DR. KUBURSI: The importance of this is
9 to underline and underscore the fact that one can
10 standardize the technique and apply it to several
11 different areas and this is really a way in which this
12 has been done. It is the same study for north Algoma,
13 some operators have seen it in other places and have
14 called upon us to see if we can do the same study and
indeed we did.

15 The other one that I would like to also
16 include - and if Mr. counsel would again please help me
17 in this - is the the Indicators of the Primary Impacts
18 of Transportation Improvements. This has been done at
19 McMaster University. It was a contract for the
20 Ministry of Transportation, Ontario Ministry of
21 Transportation and included a number of my colleagues
22 and myself.

23 The importance of this is to show that
24 this is now a standard technique at the Ontario
25 Ministry of Transportation. It's now my understanding

1 that the minister has asked that there will be no
2 contract bidding or any documentats supplied to the
3 ministry without that document including some aspects
4 of socio-economic impact of the project or the road or
5 bridge or extension that the improvement of the road
6 would include.

7 MADAM CHAIR: All right.

8 MR. O'LEARY: We just made an excerpt of
9 that, but if it would be helpful we would be happy to
10 make a copy of the entire document.

11 MADAM CHAIR: Yes.

12 DR. KUBURSI: This is a short one.

13 MADAM CHAIR: We would like a copy of
14 that document and we will make this Exhibit 2121.

15 ---EXHIBIT NO. 2121: Document entitled Indicators of
16 the Primary Impacts of
17 Transportation Improvements.

18 DR. KUBURSI: The document is a product
19 of a system, a computerized system that we developed
20 for the ministry and has been continuously updated, but
21 it is one that it is now used by all the regional
22 district offices in evaluating the economic impact of
23 highway construction organized by a number of
24 activities like municipal highways, provincial highways,
25 maintenance, bridges, transit. In a way now we have a
 standardized tool.

1 So what I'm really saying here is that we
2 don't have rocket science here. This is indeed a very
3 sophisticated technical system, but now has been
4 standardized using the output-input and some ancillary
5 statistics, that one can use it on a standard basis to
6 evaluate various activities, projects in different
7 locations in Ontario and it is now a standard tool at
8 the Ontario Ministry of Transportation. The tool now
9 is called TRIM.

10 I would like also to introduce another
11 system of sorts that we have made available to the
12 Ministry of Tourism and Recreation and I include here
13 the user and the technical manuals that explain the use
14 of the system. It is called Tourism Macro-Economic and
15 Regional Impact Model.

16 That's a long document. I don't really
17 see that you need to provide it all, but at least an
18 indication of what it implies.

19 MR. O'LEARY: Q. What is the purpose of
20 the document, Dr. Kubursi?

21 DR. KUBURSI: A. The purpose is, we have
22 developed a computer user friendly economic impact tool
23 that allows the Ministry of Tourism and Recreation to
24 evaluate the socio-economic impact on the province and
25 five major regions of the province of government

1 assistance to 16 tourism sectors called macro.

2 Here what we have is the user manual so
3 that the staff at the ministry can go through using it
4 and the equations and data that explain the system at
5 hand and the finishing of the results and implications
6 of the results.

7 MADAM CHAIR: All right. We have an
8 excerpt from that document and we will make this
9 Exhibit 2122. This last exhibit will be an excerpt of
10 the Table of Contents and pages 1 through 5 of the
11 document.

12 ---EXHIBIT NO. 2122: Excerpt from a document entitled
13 Tourism Macro-Economic and
Regional Impact Model.

14 DR. KUBURSI: The intention of all this
15 is to demonstrate that economic impact analysis is now
16 a standard economic evaluation tool and that this
17 standard evaluation tool is now in the hands of several
18 ministries in the Ontario government, the federal
19 government and several other provinces and that the
20 system is usable, user friendly and is providing a
21 standard and consistent tool across various activities
22 and hopefully across ministries, too.

23 The second point I would like to draw
24 upon is that what we are arguing here - this may be to
25 emphasize again and again - is one component of this

1 multiple account approach, a very important component,
2 one that addresses concerns that are vital and critical
3 to communities, but that it is only one tool and does
4 not make a decision. It helps making decisions. It is
5 also a quantitative tool. Quantitative in the sense
6 that it gives quantifiable, measurable indicators of
7 impact.

8 I would like also to argue that it is a
9 cost effective technique used many communities and
10 jurisdictions not only Ontario, but in the United
11 States too for exactly the kinds of questions that we
12 are addressing here.

13 I mean, I take here the case of Oregon
14 and the use of IMPLAN where they have used that
15 standard input-output technique as one integral
16 component of assessing the relative worth and
17 importance and contribution of alternate and
18 alternative projects and activities.

19 Cost effective in the sense that it
20 certainly requires the expertise of economists, but
21 there is no necessity here for having that expertise at
22 every FMU unit. I mean, one can argue for a central
23 depository at one particular place within the Ministry
24 of Natural Resources where the standard tool can be
25 used and has indeed been used.

1 I mean, the provincial parks branch has a
2 tool of that sort. I have myself helped in providing
3 that tool, and if you want to enter it as an exhibit I
4 would be more than happy of the system I have given the
5 provincial parks. So if you want to I have several
6 copies.

7 MR. O'LEARY: Q. Perhaps you can make
8 mention to the extent of your assistance to the
9 ministry in respect of that document?

10 DR. KUBURSI: A. Well, the document here
11 is, again, a user guide and a technical manual
12 explaining the equations and the computer system
13 itself.

14 What it does is the following. It
15 evaluates every single provincial park, I think about
16 233, in eight designated regions that the Ministry of
17 Natural Resources utilizes in partitioning the province
18 and what it does is it assesses day visitors and night
19 visitors. They have already looked at their
20 expenditures and have some standard averages for day
21 visitors and night visitors.

22 It also looks at the operational expenses
23 of maintenance, of administration of these parks. It
24 also looks at the development budget and the type of
25 equipment and upgrades they go through and what we have

1 really here is the ability to look at the local level.
2 Local being in the economic base within which the park
3 is located particularly within that broad region, and
4 we have eight regions of which, of each one or in
5 combination, the visitors' expenditures, the
6 administration expenditures and the capital development
7 expenditures.

8 What we are really suggesting here is
9 that a similar tool could be developed and there are a
10 number of models of this sort existent at the moment
11 that can one can draw upon. So the ministry can, if
12 they so choose, evaluate at that margin of importance
13 the particular contribution of one activity and another
14 activity.

15 So it would not really be purely on
16 tourism. We have got the capacity to, if one chooses,
17 to look at the economic impact of an equivalent amount
18 of expenditure and to look at these things in terms of
19 the eight or nine measures that I have identified in
20 terms of employment and the types types of employment,
21 in terms of labour income and where income labour comes
22 in terms of value added, in terms of sales, and then in
23 in the ratio of how much the total community to the
24 total impact it generates. You can do it on a
25 consistent basis and a central depository can easily do

1 it. These are not very closely either.

2 MADAM CHAIR: Dr. Kubursi, was this work
3 commissioned by the Ministry of Natural Resources?

4 DR. KUBURSI: Yes, it was.

5 MADAM CHAIR: When was this commissioned?

6 DR. KUBURSI: The first time was 1987.

7 Actually, the first system I every delivered was for
8 the Ministry of Natural Resources.

9 MADAM CHAIR: In 1987. Is this system
10 used internally by MNR?

11 DR. KUBURSI: It is used internally and I
12 think to some extent they have even updated some of my
13 work.

14 MADAM CHAIR: All right. The Board would
15 like to see that as an exhibit.

16 MR. O'LEARY: All right.

17 MADAM CHAIR: This will become Exhibit
18 2123.

19 MR. O'LEARY: Attached to that, Madam
20 Chair, are a number of floppy disks as well which are
21 the actual...

22 MR. KUBURSI: I don't think they need
23 that. I won't surrender them because they...

24 MR. O'LEARY: The reason why I raise that
25 is because it might be an appropriate stage to ask Dr.

1 Kubursi if he could show us how a particular model is
2 run and we do have the facilities.

3 DR. KUBURSI: Yes, we have the
4 facilities. If you would like to see it I would be
5 more than happy to demonstrate.

6 MR. O'LEARY: It might be helpful.

7 MADAM CHAIR: First of all, could you
8 give us the title of this document, Dr. Kubursi?

9 DR. KUBURSI: I almost gave you the wrong
10 thing. Of course, it has a very specific name so I am
11 just trying to -- okay. The Ontario Ministry of
12 Natural Resources Interactive Model of Economic
13 Impact -- maybe I should go slowly. Ontario Ministry
14 of Natural Resources Interactive Model of Economic
15 Impact of Provincial Park Expenditures, Version 0.1.

16 MADAM CHAIR: The date on that is...?

17 DR. KUBURSI: 1987.

18 MADAM CHAIR: The author is...?

19 DR. KUBURSI: Econometric Research
20 Limited.

21 ---EXHIBIT NO. 2123: Document entitled Ontario
22 Ministry of Natural Resources
23 Interactive Model of Economic
24 Impact of Provincial Park
25 Expenditures, Version 0.1.

24
25 MR. O'LEARY: Q. Can you give us a rough

1 idea, Dr. Kubursi, what you charged or what Econometric
2 charged for that study?

3 DR. KUBURSI: A. Yes. I think the total
4 charge for this was \$50,000. If I recall correctly, I
5 had to surrender my soul (inaudible), the blueprints.
6 I would charge less if it was without the soul
7 (inaudible). I think they changed this. Intellectual
8 property is no longer necessary to be surrendered.

9 MS. SWENARCHUK: Excuse me, I missed the
10 date.

11 DR. KUBURSI: 1987.

12 MADAM CHAIR: Your understanding is that
13 this is updated at some interval?

14 DR. KUBURSI: Actually, they were asking
15 me to update it just one day before the government
16 clamp on consultants. They were interested in just
17 bringing about -- because now we have the 1984 and the
18 decision was made that maybe we will wait until 1989
19 input-output is available which is a few months from
20 now.

21 MADAM CHAIR: Now, Mr. O'Leary, what was
22 your suggestion about this?

23 MR. O'LEARY: That it might be
24 appropriate to ask Dr. Kubursi to run a quick
25 demonstration on how you would use the model to see how

1 it works and I think it would be helpful to everyone's
2 understanding of the significance if he could do that
3 and we request that Dr. Kubursi bring his computer with
4 him and we can do that in a matter of minutes.

5 MADAM CHAIR: Any objections from the
6 parties?

7 (no response)

8 DR. KUBURSI: They won't be able to see.

9 MR. O'LEARY: We can all gather around.

10 MADAM CHAIR: Go ahead, Dr. Kubursi.

11 DR. KUBURSI: Okay. The other aspect
12 here is to say that the data and expertise for
13 practical routine use of the system is already
14 available at most ministries within the government of
15 Ontario dealing with timber management.

16 The point that I would really like to
17 make here is that the system is quite complex,
18 sophisticated. It uses input-output analysis,
19 macro-economic analysis, local basic economic analysis,
20 but these are no longer necessary because it has been
21 routinized and has been standardized and what is
22 essentially important here is see how one might draw
23 results from it and, more importantly, as to the way we
24 use these results.

25 The important issue is that there is a

1 standard technique, that that standard technique is now
2 not only provide by Econometric Research but several
3 other consultants who have redeveloped their own
4 systems, that the ministries use it on a routine basis,
5 that it should really be also understood that it is
6 only one component, an integral, very important
7 component of assessing the value and contribution of a
8 particular activity, but it is not really the only one.

9 This is not rocket science in the sense
10 it is available and can be used by staff members with
11 some training in economics, and I understand there are
12 a really good number of people within the Ministry of
13 Natural Resources and other ministries who are very
14 familiar with these systems and very capable to use
15 them.

16 What I would also like to emphasize again
17 is that we are talking about the use of the system on a
18 consistent basis and that what is involved here is not
19 to look at the full industry versus another industry,
20 but to look at the activity at that margin of conflict
21 and to do it on a standard basis or on a case-by-case
22 basis.

23 The significant contribution of the
24 system that I am providing is that it gives you a
25 chance to look at what we now call the local impact

1 level in the sense that it's no longer just a
2 provincial impact. We are trying to locate spacially
3 the contribution of a particular activity of industry
4 in a very specific small region.

5 We can go to small levels. I mean, the
6 minimum level we could go to is the county level
7 because once you go below counties it becomes extremely
8 difficult to get any accurate picture or even a
9 reasonable picture.

10 The reason for this is the space becomes
11 very sparse, does not have really any capacity to
12 retain, retention becomes very difficult, commuting
13 becomes extremely poor in the sense that somebody might
14 make their income in one place and spend it in another
15 place.

16 In that respect you need at least a
17 minimum amount of space over which economic activity of
18 reduction, consumption and change and distribution
19 makes a meaningful threshold. A critical mass that is
20 worth looking at.

21 The final statement I would like to make
22 is that impact analysis is now a common tool in
23 economics and is not really something new. As I
24 mentioned, it goes back a few years back, and the
25 literature is extensive. In the United Nations, every

1 five years now organizes a convention that brings about
2 five hundred economists from all around the world to
3 meet, discuss the applications refinement of this tool.

4 If I may, this is all I have to say.

5 MADAM CHAIR: Okay. Please go ahead, Dr.
6 Kubursi. Did you want to give us a demonstration of
7 the provincial park?

8 DR. KURBUSI: Is there any place where I
9 can set it up?

10 MR. O'LEARY: I wonder in the interest of
11 time if we can set that up over lunch and then we would
12 be ready to go right after lunch and I can proceed with
13 some of my questions now because I think the best
14 location would be the round table and we might want to
15 clear it off first.

16 MADAM CHAIR: That's a good idea, Mr.
17 O'Leary. Why don't you go ahead then with your
18 examination-in-chief.

19 MS. SWENARCHUK: May I ask, Mr. O'Leary,
20 if you still expect to be the entire day in direct ex?

21 MR. O'LEARY: Yes.

22 MADAM CHAIR: Mr. O'Leary, did you say
23 you are going to take the rest of your day in your
24 examination-in-chief?

25 MR. O'LEARY: Yes. I thought I had

1 indicated I would probably take the balance of the day
2 yesterday.

3 MADAM CHAIR: Yes, you did indicate that,
4 but the Board is a bit surprised because we found the
5 presentations by both Dr. Victor and Dr. Kubursi to be
6 very informative in really summarizing their written
7 evidence. So we will follow you for a while and see
8 where you are going.

9 MR. O'LEARY: I am trying to avoid the
10 great error that most of my colleagues in the legal
11 profession make and that is of understating how long
12 they are going to be.

13 We tend to be a longer winded, but we did
14 go through the questions following yesterday's
15 presentation and now we will be able to do a little
16 more of that at lunch and it may be that we will be a
17 little shorter, but in terms of being fair to Ms.
18 Swenarchuk I think I would prefer to tell her that I am
19 going to be the balance of the day as opposed to
20 shorter than that which would put her on the hot seat
21 for cross-examination this afternoon.

22 MADAM CHAIR: Are you prepared to
23 cross-examine this afternoon, Ms. Swenarchuk?

24 MS. SWENARCHUK: Yes, I am and I will be
25 very brief, Madam Chair. I would be delighted to be

1 able to do it today.

2 MADAM CHAIR: Okay. Then we will work
3 towards that.

4 MR. O'LEARY: Thank you.

5 Q. Dr. Victor, could I ask you to turn
6 to your set of overheads which is Exhibit 2113. I just
7 have a couple of questions arising out of page 3 of
8 that. That's the page entitled An Economic Perspective
9 on Timber Management.

10 DR. VICTOR: A. Yes, I have it.

11 Q. Thank you. Looking at item 3 which
12 states:

13 "By changing the forest structure timber
14 management activities affect the capacity
15 of the forest to provide timber and
16 non-timber products."

17 Can I ask you why you indicated it was
18 important in your presentation yesterday to recognize
19 the impact of timber management activities on timber
20 and non-timber products?

21 A. Yes. Well, there are two reasons for
22 that. The first stems from the underlying fact of the
23 situation that very often these are joint products and,
24 as I explained yesterday, often an action which is
25 designed to promote one of these products will have an

1 effect either positive or negative on the other and,
2 therefore, it is important to be aware of the combined
3 impact on all the products of the forest when an
4 intervention in the forest structure is being made.

5 The second reason for giving some
6 importance to this is that if you don't do that, then
7 you can get some surprises in the future. For example,
8 if only one of the products, let's say, the timber is
9 emphasized when a plan is being formulated without due
10 regard to its impacts on non-timber values and if the
11 result is that in the future these non-timber values
12 become significantly threatened, perhaps important
13 species become endangered or significant features of
14 the landscape become very rare, then at that point, as
15 I say, you can be surprised at the reaction you may get
16 from interested parties that due care and attention was
17 not given to the protection of these non-timber values
18 and their reaction can very well be that they then want
19 to intervene in the timber management component that
20 was catered to.

21 So those are the reasons why I think it
22 is very important to be continually conscience of the
23 fact that both non-timber and timber values are at
24 stake.

25 Q. All right, thank you. Now just to be

1 a little more specific, do you have a view as to what,
2 if any, impact a failure to recognize the impact of
3 timber management activities on timber and non-timber
4 values and the failure to recognize this relationship
5 would have on the ability to provide a continuous and
6 predictable supply of wood?

7 A. Well, just amplifying what I said, if
8 the plan is focused exclusively on that objective of
9 providing a continuous and predictable supply of wood
10 and if that's defined in a fairly precise way, then
11 down the road that may prove very difficult to continue
12 achieving because people may object to the non-timber
13 values that are threatened at that point and may
14 undermine the initial plan.

15 Q. All right, thank you. Can I ask you
16 now to turn to page 9 of the witness statement,
17 question 13, where you state in the first paragraph:
18 "Once it is recognized that forests
19 provide a wide range of services an
20 important goal of timber management
21 becomes that of choosing those activities
22 that provide the best overall
23 combination of services from the forest."

24 MR. FREIDIN: Sorry, where are we
25 looking, Mr. O'Leary?

1 MR. O'LEARY: Page 9, question 13.

2 MADAM CHAIR: Of the witness statement,

3 Mr. O'Leary?

4 MR. O'LEARY: Yes, I apologize. Exhibit
5 2110 for the record.

6 Q. Do you have a view, Dr. Victor, as to
7 whether it is possible to recognize that forests
8 provide a wide range of benefits and yet have a single
9 purpose goal such as providing a continuous and
10 predictable supply of wood.

11 DR. VICTOR: A. Whether it's possible, I
12 don't believe it is adviseable for the reasons that I
13 have given and in particular it may be that there is a
14 more beneficial way of managing the forest by taking
15 account all the way through of both the timber supply
16 and non-timber supply values.

17 Q. All right.

18 MADAM CHAIR: Excuse me, Dr. Victor. Is
19 it your understanding that the proponent in this case
20 is suggesting that non-timber values wouldn't be
21 protected or would be sacrificeed to timber management?

22 DR. VICTOR: It is my understanding that
23 the primary objective of the timber management planning
24 process is to secure a continuous and stable --

25 MADAM CHAIR: Predictable.

1 DR. VICTOR: Pardon?

2 MADAM CHAIR: Predictable.

3 DR. VICTOR: ...predictable supply of
4 timber subject to certain constraints being imposed to
5 project the non-timber values. So it's a question of
6 seeing that as a set of primary objectives and
7 secondary objectives.

8 So I, therefore, do have some cause for
9 concerns as to how effective the plans will actually be
10 in protecting the non-timber values without elevating,
11 if you like, them to the same level as timber values.

12 MR. O'LEARY: Q. In recognition of what
13 you said about the primary objective, as you understand
14 it, can I ask you what assistance would socio-economic
15 analysis be in determining the economic value of
16 different services and what benefit would that offer to
17 the timber management planning process?

18 DR. VICTOR: A. Well, the assistance a
19 socio-economic analysis can add is that -- at least
20 with respect to some non-timber values, I believe that
21 they can be valued in a way that's directly comparable
22 with the value of timber and, therefore, allow a
23 balanced assessment of the effect or alternative plans
24 on both timber values and non-timber values.

25 Q. Now, in the second paragraph --

1 MADAM CHAIR: Excuse me. We are just
2 going to stop you, Dr. Victor, because it seems that we
3 are back to where we started before our discussion
4 earlier today.

5 Are you saying that in the development of
6 an individual timber management plan when the local
7 advisory committee, as we call it now, where various
8 interest groups are represented in the planning process
9 and they sit down with the timber management planning
10 team which will include the Ministry and the forest
11 industry, and they are sitting around a table and they
12 are trying to decide which way they will go with this
13 plan, are you suggesting that in front of them they
14 will have a one-page summary of the value of the forest
15 industry, the value of tourism, the value of the
16 trappers' income, the value of the native communities
17 interests?

18 Are you suggesting that they would sit
19 down with that information in front of them?

20 DR. VICTOR: Yes, they would have that
21 sort of information. I would propose that it would be
22 helpful if they did, if they had that sort of
23 information for alternative plans so that a judgment
24 could be made as to which plan is the best, yes.

25 MADAM CHAIR: But I thought that you and

1 Dr. Kubursi told us this morning that you wouldn't see
2 those decisions being made solely on the basis of
3 economic value.

4 DR. VICTOR: That's quite correct. I
5 think included in the list of items that you were
6 putting forward a moment ago are some things that we
7 wouldn't propose to include in an economic evaluation.

8 It's inevitable I'm afraid that as an
9 economist you have a certain enthusiasm for the tools
10 you are familiar with and have developed and perhaps
11 take some pride in, but at the same time, Dr. Kubursi
12 and I have both have an awareness of the limitations of
13 those tools.

14 So the point I would make to you is that
15 we can certainly do better than just valuing timber in
16 dollars and leaving everything else out of that
17 calculation and saying: We have got to value timber in
18 dollars and everything else we will value in some other
19 metric or we won't even put it in any common metric, we
20 just have a long list of them.

21 My point to you is that we can quite I
22 think successfully and meaningfully take a significant
23 portion of the value of the forest that is not
24 traditionally, at least in Ontario, valued in dollar
25 terms and value those things in dollar terms.

1 I mention in particular in my
2 presentation a recreation -- the various kind of
3 recreation values that can be estimated, but I am not
4 saying to you that we can take everything that we might
5 be concerned about and put a value dollar value on
6 that.

7 So I think we can go a considerable way
8 and a useful way -- to a useful extent in valuing
9 various of the non-timber values in dollar terms so
10 they can be directly comparable with timber values and
11 that will make it easier I believe to make the judgment
12 as to which plan is best, but it doesn't reduce that
13 comparison to just a comparison of two total numbers
14 that somehow summarize all dimensions of the
15 alternative plans.

16 DR. KUBURSI: I mean, you are suggesting
17 that we also have to present too economic impact
18 evaluation and maybe other considerations too, a degree
19 to which maybe the community feels about it in other
20 measures.

21 I mean, we are talking about here
22 different stakeholders who might really come at it from
23 different points of views where valuation and economic
24 impact could be only two components. That might really
25 have other components.

1 What we are really suggesting is that
2 when that committee meets it would be nice to have in
3 quantitative terms what the economist can offer and
4 what the economist can offer here not only one aspect,
5 but several aspects, two of which we have emphasized
6 very strongly here which we call two very important
7 components of the multiple account, the valuation and
8 economic impact, and there might really be a necessity
9 here or necessary to bring even more things.

10 MADAM CHAIR: But you certainly
11 wouldn't -- speculating on this, would you consider it
12 to be an acceptable outcome if some value that you
13 couldn't give an economic valuation to, if that were to
14 lose out in some sort of competition among which value
15 had the largest dollar amount?

16 DR. VICTOR: I think my judgment on the
17 ability of this isn't worth anything, frankly.

18 What I would say is that on occasion I
19 would expect that outcome. I think that faced with a
20 dollar measure of a certain component of the issue on
21 the one hand and a description of other aspects, the
22 decision sometimes will come down in favour of what we
23 have measured in dollar terms and in other situations
24 it will come down in favour of the non-valued in dollar
25 terms component.

1 Just what the decision should be in any
2 particular case will be the outcome of the public
3 process and the responsibility of the ultimate decision
4 maker.

5 MADAM CHAIR: But you have a problem
6 before you even get to that point. You have the
7 problem that you are not going to get agreement on the
8 economic analysis. You are not going an agreement on
9 what constitutes the proper economic analysis as we
10 have seen before us already and that is there is some,
11 can you measure the value of timber by stumpage, can
12 you ignore further processing in the timber industry
13 and say it is only -- and I am putting that out as an
14 issue that's been raised here.

15 I mean, before you even get the numbers
16 in front of you you are going to have disagreement
17 about what value is.

18 DR. VICTOR: Yes, you will, but I would
19 hold out some hope in that regard.

20 MR. MARTEL: Where is that happening,
21 this hope that you have?

22 DR. VICTOR: I bring it with me.

23 MR. MARTEL: I mean, in the States it
24 ends up in court, this hope, according last week to Dr.
25 Thomas. I mean, he figures they are winning some of

1 the battles, but the battles are large and the ability
2 to get agreement extremely difficult.

3 DR. VICTOR: It depends what you are
4 trying to get agreement on. I think within the
5 economic profession there is a significant level of
6 agreement about how to do evaluation studies, how to do
7 impact studies and the ability, therefore, to critique
8 work that's done and say: No, this does not meet the
9 standards of the profession.

10 Now, we may not have reached the level of
11 consensus that, for example, accountants have who only
12 have to deal with the cash inflows and outflows of a
13 firm, but I think, and I'm sure Dr. Kubursi would agree
14 with me, that tremendous strides have been made in the
15 last two to three decade in how to do these methods.
16 The handbooks are there.

17 I'm not suggesting there is not
18 disagreement. There is a very healthy literature in
19 the economics literature that is still exploring ways
20 of improving these things, but we are in a very good
21 position I believe to say: This piece of work more or
22 less corresponds to the current state-of-the-art and
23 this piece of work fails miserably and then there is
24 all the stuff that comes in between. I think this is
25 the hope and the promise that I put before you.

1 I don't think that -- I would hope you
2 wouldn't think that: Oh, anybody can pick any number
3 they want and how are we ever going to sort through
4 that. I think we are well past that.

5 We have clear principles of analysis, we
6 run into problems when we have to work with the real
7 data that's there. I mean, economists suffer often
8 from the fact we can't always get the data we would
9 like to have. Governments get our data for us and we
10 spend a lot of time then trying to analyse that data.

11 So a lot of the dispute among economists
12 is in terms of what's the best way to deal with the
13 data, not so much what is the basic concept, what is
14 the basic principles that you are working from. I
15 think there there is a high degree of agreement.

16 Wouldn't you?

17 DR. KUBURSI: I would agree.

18 MADAM CHAIR: But you would agree at the
19 end of the day you would not want to see any non-timber
20 value go unprotected for want of an economic tool that
21 couldn't show it had some dollar value?

22 DR. VICTOR: I would agree that.

23 DR. KUBURSI: I would agree, too.

24 MR. MARTEL: But isn't there agreement
25 that if you put three economists in a room you have

1 four ideas?

2 DR. KUBURSI: Except in this room. We
3 have two and one. This is not really true in the sense
4 that we tend to exaggerate disagreement among
5 economists. We have a whole body where -- I mean, I am
6 not here to defend the economists.

7 MR. MARTEL: I am just pulling your leg,
8 Dr. Kubursi.

9 DR. KUBURSI: But it is really true.

10 DR. VICTOR: I thought he was being
11 helpful saying only three. If there is only three out
12 of two economists or four out of three, if there were
13 that few we would be laughing.

14 But seriously, I do think that the onus
15 that's put on economists to reach agreement is
16 sometimes greater than the onus that's put on other
17 scientists of different kinds and that's because we
18 have a dual role.

19 We have a role in trying to understand
20 how the economy works and that, if you like, is
21 somewhat more comparable with the natural scientist who
22 is trying to understand how the ecological systems work
23 or how cosmology works, but we are also expected to
24 come up with prescriptions to make the thing work
25 better and you never ask an astronomer to make the

1 universe work better. That's not part of the mandate.

2 The onus is put on us to try to make the
3 system work better and that's very much where we get
4 into disagreement about the policies prescriptions,
5 but in terms of evaluating alternatives and in terms of
6 assessing the impact of different alternatives, the
7 methodologies are reasonably well established and I
8 think the degree of agreement you can expect to get
9 among economist on how to do those things is very high.

10 MR. O'LEARY: Q. Perhaps while we are on
11 the subject I could ask a question in respect of sort
12 of the level of disagreement or agreement in terms of
13 the economic methodologies.

14 Dr. Kubursi, I would like to ask you what
15 your experience is in respect of your provincial park
16 computer model, economic impact analysis in terms of
17 its acceptance by the Ministry of Natural Resources?

18 DR. KUBURSI: A. Well, it would be hard
19 for me to speak for the Ministry of Natural Resources.
20 I can only comment that they have been using it and
21 they came back for an update. I would presume this
22 implicitly suggests that it is useful for them.

23 Let me just maybe comment on the total
24 structure of impact analysis. There is a wide
25 agreement in the literature that impact analysis is an

1 important and acceptable tool. There is a whole
2 spectrum of systems available at different levels of
3 sophistication. I mentioned that there are systems
4 that would use the provincial impacts and contracted to
5 the level of the community. There are analyses of
6 impact where the multiplier, irrespective of the
7 composition of the expenditures, are used to generate
8 impacts.

9 What we are really talking about here is
10 the different shades and complexities and
11 sophistication of the tool.

12 If I'm allowed to brag a little bit, you
13 know, my system is one of the sophisticated ones
14 because we really try do something that has not been
15 done before. May I take maybe a few minutes to explain
16 this.

17 The point is there is no system here that
18 would allow that we construct an inter-regional
19 input-output for the Province of Ontario. If we were
20 do that it would cost us \$10-million. So we really
21 need a surrogate, a proxy that will allow us to answer
22 similar questions to the ones we expect to get from an
23 inter-regional one.

24 For Canada as a whole, we have an
25 interprovincial input-output and we can use it and

1 Statistics Canada produces this routinely. It cost
2 them I guess about \$2 1/2-million to produce it every
3 five years. So what we really have is a system that we
4 can solve at the provincial level, but cannot contract
5 it to answer the questions at the local level.

6 What I have done is to look at the
7 economic base of each region, to look at, for example,
8 a place like Sudbury and say: What can Sudbury produce
9 and sustain on the demands that come and we classify
10 industries into three different categories.

11 We say we have national industries. This
12 is steel because steel can come in demand from Quebec
13 or from Alberta and you have to deliver.

14 There are provincial sectors and these
15 are sectors that cater to the demand of the province
16 and not only to the local economy and then there are
17 what we call local sectors; that is, if you want to get
18 a haircut you don't come to Toronto, you cut it in
19 Sudbury.

20 The issue is, what of all these demands
21 that are put on the system would be delivered from
22 Sudbury. When it comes to the provincial sectors and
23 if the demand is coming from Sudbury or a region close
24 to Sudbury and it's around the dominant economic region
25 of Sudbury in the sense that the economic course of

1 getting it from Hamilton is much larger than getting it
2 from Sudbury for the same similar product because we
3 know that steel in Sudbury is a little bit different
4 than in Hamilton and in that respect we will let the
5 capacity and the economic course to determine that it
6 comes from Sudbury.

7 We are using really almost an
8 astronomical, you talk about astronomy, that two
9 economists interact with one another directly in
10 proportion to their size and relate it to the square of
11 the distance, but what we do ultimately is we have a
12 way in which we can partition the economic activities
13 according to the volume of sales and the capacity of
14 the local economy to contribute to it and the type of
15 economic activity we are talking about.

16 If it is a service and it is something
17 that can be contributed totally and wholly from Sudbury
18 it will be contributed. If it can contribute to it
19 only in part, then it will come wholly to that part
20 from Sudbury, the rest will come from the second most
21 opportune place to get it and everything is judged in
22 terms of economic business.

23 So in this respect really we have now a
24 system that allows us to get some reasonable results at
25 the local district in the absence of a good solid base

1 for it. If I were to judge really its usefulness in
2 terms of how many people are using it and the way that
3 people find it reasonable in the hand of practitioners
4 I would say it has really been fairly received.

5 MR. O'LEARY: Q. Thank you. Dr. Victor,
6 can I ask you to turn to question 14 on page 10 of the
7 witness statement where you make reference to the class
8 environmental assessment, which is Exhibit No. 4 in the
9 hearing, and you state that you found:

10 "No thorough treatment of methodologies
11 and procedures to be used for economic
12 analysis of either sort in a timber
13 management plan."

14 Can I ask you whether or not you reviewed
15 the Timber Management Planning Manual which is provided
16 to forest managers to assist them in preparing timber
17 management plans?

18 DR. VICTOR: A. Yes, I have.

19 Q. Can you tell us what your findings
20 are in respect of the level or extent of the treatment
21 of methodologies or procedures to be used for economic
22 analysis of either sort being economic value or
23 economic impact in the timber management manual?

24 A. Well, again, the difficulty I have
25 with the document is I don't see how the information

1 that is provided through implementation of the
2 procedures specified in the document could be used for
3 valuing the timber and non-timber services that would
4 result from following the guidelines.

5 Q. All right.

6 MADAM CHAIR: Excuse me, Mr. O'Leary,
7 which page reference was that last comment of Dr.
8 Victor's reply?

9 MR. O'LEARY: The previous question was
10 page 10, question 14. The last sentence of the
11 response, he says:

12 "In fact I find no thorough treatment of
13 the methodologies and procedures to be
14 used for economic analyses of either sort
15 in timber management plans."

16 Page 10 at the top.

17 MADAM CHAIR: Yes, thank you.

18 MR. O'LEARY: Q. In question 16 which
19 runs on to page 11, Dr. Victor, you indicate that the
20 net benefit for each alternative should be calculated.

21 Can I ask you, based on your experience
22 with environmental assessments do you have a view as to
23 whether the consideration of these alternatives is
24 consistent with the requirements of the Environmental
25 Assessment Act, in your view?

1 MR. FREIDIN: Well, now he is asking I
2 Dr. Victor to give a legal opinion.

3 MR. O'LEARY: What's his understanding.
4 I am not asking for his interpretation of the act.

5 MR. FREIDIN: Well, with respect, Madam
6 Chair, if he wants to talk about what he has seen in
7 other environmental assessments I think that's
8 appropriate, even environmental assessments he has done
9 and how in fact alternatives have been addressed, but I
10 respectfully submit he can't speak to what the
11 requirements are.

12 MR. O'LEARY: All right.

13 MADAM CHAIR: The Board would be
14 satisfied to hear about Dr. Victor's experience with
15 other EAs.

16 MR. O'LEARY: That's fine. I'm happy
17 with that.

18 DR. VICTOR: Well, my understanding of
19 part of the Environmental Assessment Act, I think it is
20 Section 5(3), is that the advantages and disadvantages
21 of alternatives --

22 MR. FREIDIN: Madam Chair, the witness is
23 still saying his understanding of a section of the
24 Environmental Assessment Act is such and such.

25 Again, I suggest that he should be

1 allowed to indicate how he has addressed perhaps
2 dealing with alternatives in environmental assessments
3 that he did, but he can't, with respect, suggest that
4 that would be the only way to do it to meet the
5 requirements of the Environmental Assessment Act.
6 That's a legal issue.

7 MR. O'LEARY: We are getting into --

8 MADAM CHAIR: We are not going to waste
9 time on Mr. Freidin's objection, but the Board will
10 accept that objection and we actually prefer Mr.
11 Freidin's question and that is, what have you found to
12 be a good way of looking at alternatives in other
13 environmental assessments and how would you compare
14 that to the treatment that the Proponent gives in this
15 assessment.

16 DR. VICTOR: A couple of environmental
17 assessments come to mind where the use of economic
18 evaluation methods have played a significant role.

19 The environmental assessment that was
20 performed by the Ontario Waste Management Corporation
21 includes a treatment of valuing risks to human health
22 and how that might be affected by the proposed
23 undertaking.

24 That's an example of where an effect;
25 i.e., health impacts, which are not traditionally

1 valued in economic terms, but it is just an example of
2 where an attempt was made to value those health impacts
3 in monetary terms so that they could be compared on a
4 common basis with other aspects of the proposal.

5 There was an environmental assessment on
6 the Westmount Rowes Dam which also contains, as I
7 recall, a significant use of economic methodologies in
8 the evaluation of the advantages and disadvantages of
9 the proposal. So at least in those two instances an
10 economic evaluation was performed.

11 I would only add that what economic
12 evaluation offers is a way of looking at the advantages
13 and disadvantages of a proposal and arriving at a
14 balance of the two because the advantages and
15 disadvantages within an economic evaluation are
16 measured in the same unit. It is possible, therefore,
17 to arrive at a net advantage or net disadvantage. We
18 would say net benefit estimate.

19 MADAM CHAIR: Excuse me, Dr. Victor, what
20 is the Westmount Rowes Dam you are referring to?

21 DR. VICTOR: This was an environmental
22 assessment that was performed in the late 1970s, early
23 80s.

24 MADAM CHAIR: In Ontario?

25 DR. VICTOR: In Ontario, yes.

1 MR. O'LEARY: Q. Dr. Victor, you state
2 in the last two paragraphs of your response to question
3 16 on page 11 that:

4 "At the same time additional benefits
5 will be obtained providing the
6 expenditures are spent on activities
7 which generate economic value."

8 Can you provide an example of what you
9 mean by this and its significance in terms of the
10 example that -- can you just provide us with an example
11 of what you mean by that statement?

12 DR. VICTOR: A. Yes. What my example is
13 supposed to address is the possibility that mistakes
14 can be made when comparing two alternatives in terms of
15 their economic impacts.

16 If you are only to focus on the economic
17 impacts that flow from the expenditures concerned with
18 the two options, then it wouldn't be too surprising to
19 find that the option which involves greater
20 expenditures would have greater impacts and on those
21 grounds appear to be the option to be chosen.

22 The difficulty with that, of course, is
23 that you end up supporting the more costly way to
24 achieve an objective rather than the less costly way
25 merely because you have only looked at the impacts of

1 the expenditures concerned.

2 Part of my witness statement is really a
3 connection between what I am bringing to the Board and
4 what Dr. Kubursi is bringing to the Board because it's
5 the assessment of economic impacts which is certainly
6 more his area of expertise than mine, but I wish to
7 highlight through that example that, on the one hand,
8 you can have two alternatives, both of which yield
9 benefits of the same magnitude, but one which will cost
10 more than the other.

11 If you do the economic impact assessment
12 based on costs alone it will end up looking like the
13 more costly alternative is better than the least costly
14 alternative.

15 I don't know, Dr. Kubursi, whether you
16 wish to add something to that.

17 DR. KUBURSI: A. In a way we are a
18 little more sensitive about this. We try to do it two
19 ways, but you are absolutely right. One ought to be
20 very careful about this.

21 What we to is we try to make the
22 comparison on equal dollars or we do it per dollar,
23 trying somehow to normalize or standardize so that
24 these differences in costs don't really cloud the
25 results, but indeed there are really some careless

1 comparisons that are just made on dollars and not to
2 normalize. I would very much tend to be suspicious
3 about this.

4 Q. Can I ask you both whether you have a
5 view as to the practicality of implementing
6 socio-economic analysis in timber management planning?

7 Perhaps I could start with you, Dr.
8 Victor.

9 DR. VICTOR: A. Well, I believe strongly
10 that under almost any circumstances there is some scope
11 for socio-economic analysis and that it can be helpful.

12 I think that its practicality is an
13 intriguing issue. The practicality of doing a very
14 complex study in a very short space of time is
15 obviously not very high, but the practicality of doing
16 a useful piece of work - by useful I mean a piece of
17 work that you would better off having done than not
18 having done - I think is very high in most
19 circumstances, that if the worst came to the worst you
20 would be better off having a weekend's work or a week's
21 done on socio-economic aspects of two alternatives than
22 not having it done at all.

23 I'm not saying that a weekend or a week
24 would be the right amount of time to put in, but we can
25 usually do something of some use within a few days on

1 almost any issue.

2 Q. Dr. Kubursi?

3 DR. KUBURSI: A. I think practicality is
4 a secondary issue. I mean, there is nothing really
5 that argues that something is practical in relation to
6 it.

7 I think it is more important here to ask:
8 Is it desirable, is it effective, is it worth it, and
9 then if it is really worth is it practical. I think
10 resources are limited, there are competing concerns,
11 claims and I think socio-economic concerns are now
12 paramount and very important and we would like to know
13 how these resources cater and satisfy these concerns.

14 Practicality becomes very important on
15 two counts. First, to the extent that we are really
16 answering the concerns of the community; and two, that
17 we are doing this in a cost effective way.

18 The socio-economic tools that we are
19 talking about -- I mean, one of the most desirable part
20 of it is that they really address the concerns of the
21 stakeholders. There is a really common dollar basis
22 that we can ultimately reduce each subcomponent to and
23 we have standardized tools that we can use and it
24 doesn't really require sophisticated rocket science to
25 do it.

1 Q. Thank you. Dr. Victor, one of your
2 examples in respect of your last response, if I can
3 just summarize it, was to the effect that it's never
4 pointless to do some socio-economic analysis. I think
5 you made mention of perhaps a weekend of discussion or
6 something of that nature.

7 Can you tell us, what sort of benefits
8 can you expect to derive from that sort of
9 consideration of socio-economic impacts and
10 evaluations?

11 DR. VICTOR: A. Well, thinking in terms
12 of the kind of issues that we are concerned with, I
13 presented evidence yesterday to show that there are
14 some standard values, non-timber values that have been
15 generated.

16 There is a literature that has produced
17 these values. In a specific situation it might be
18 better to go to an individual study rather than to
19 somebody's attempt to put together generic estimates,
20 but what I am saying is we can find estimates of value
21 for many kinds of non-timber values directly from the
22 literature.

23 Similarly, when it comes to doing some
24 impact assessment in a short period of time it may well
25 be, as I believe Dr. Kubursi has shown, that a model

1 already exists to do such an impact analysis very
2 quickly.

3 If that's not the case, then for many
4 important sectors that may be affected by a proposed
5 decision there is literature. We have information that
6 tells us something about the structure of the industry,
7 what its vulnerabilities are and so on and this
8 information can be looked at and brought together and
9 used to help in the decision.

10 So I'm saying that we are not starting
11 from scratch. We have got concepts, we think we have
12 an orderly way to approach the issues and we have data
13 sources that we can go to.

14 MR. O'LEARY: We have reached the
15 bewitching hour I believe, Madam Chair.

16 MADAM CHAIR: Shall we have lunch?

17 MR. O'LEARY: Yes.

18 MADAM CHAIR: We will be back at 1:30
19 and we will watch Dr. Kubursi's demonstration.

20 Thank you.

21 ---Luncheon recess at 12:00 p.m.

22 ---On resuming at 1:35 p.m.

23 MADAM CHAIR: Please be seated.

24 MR. O'LEARY: Just before we begin, Madam
25 Chiar, there was one scoping question that requested

1 that we file a copy of the Tongass National Forest
2 Study which was referred to in the witness statement.
3 I thought I would file that now and have that marked as
4 an exhibit.

5 MADAM CHAIR: Thank you, Mr. O'Leary.

6 MR. O'LEARY: You have that already.

7 MADAM CHAIR: That will become 2124.

8 ---EXHIBIT NO. 2124: Tongass National Forest Study.

9 MR. O'LEARY: Now, we thought it might be
10 helpful for the sake of the parties and of the record
11 that as we proceed through this brief computer
12 demonstration that if we could orally a particular
13 point and perhaps something on the screen we will have
14 that particular screen that we are seeing on the
15 computer produced in hard copy and then we can enter
16 that as an exhibit.

17 It might be appropriate to leave an
18 exhibit number for it at this time and we can simply
19 describe it as yet to be determined number of hard
20 copies of computer demonstration by Dr. Kubursi and we
21 can identify the number shortly.

22 MADAM CHAIR: All right. This will be
23 with respect to the -- what was the title of that
24 model?

25 DR. KUBURSI: This is the Ontario -- this

1 is new one I am doing here. The Ontario Ministry of
2 Tourism and Recreation, Interactive Model of Economic
3 Impact on Visitor Expenditures.

4 Is it too long?

5 MR. MARTEL: No, my handshort isn't...

6 DR. KUBURSI: Ontario Ministry of Tourism
7 and Recreation, Interactive Model of Economic Impact on
8 Visitor Expenditures, Version 1.2.

9 MADAM CHAIR: This is the one that was
10 commissioned by the Ministry of Natural Resources?

11 DR. KUBURSI: No, this is the tourism
12 one.

13 MADAM CHAIR: This is the tourism one.
14 Have we given that -- is this the tourism map or
15 economic and regional impact model?

16 DR. KUBURSI: This is one sequel to it.

17 MADAM CHAIR: One part of it which was
18 Exhibit 2122.

19 DR. KUBURSI: Right.

20 MS. SEABORN: I thought that exhibit was
21 identified as being from MNR to do with the parks
22 policy -- I'm sorry, park visitors.

23 DR. KUBURSI: No, we have two.

24 MADAM CHAIR: The MNR parks visitors one
25 I have got as Exhibit 2123.

1 MS. SEABORN: I guess I had understood
2 that that was the computer package that we were going
3 to be seeing.

4 MADAM CHAIR: That's what I had thought
5 as well, Dr. Kubursi.

6 DR. KUBURSI: You see, I didn't bring it
7 with me. What we have is the five and a quarter and
8 this is three and a half technology.

9 MADAM CHAIR: All right. Will it have
10 some aspects that are similar?

11 DR. KUBURSI: Extremely similar, yes.

12 MADAM CHAIR: All right.

13 DR. KUBURSI: I could easily also, if you
14 want to get hard copies of the MNR one, I can run one
15 for you too.

16 MADAM CHAIR: We have the entire manual,
17 don't we?

18 DR. KUBURSI: Yes.

19 MADAM CHAIR: That will be fine.

20 DR. KUBURSI: And the manual has also
21 copies of the output you get.

22 MADAM CHAIR: Okay. Dr. Kubursi, what we
23 are about to see, you said it was part of the manual on
24 tourism macro-economic and regional impacts model?

25 DR. KUBURSI: Right.

1 MADAM CHAIR: The title of it is the
2 same?

3 DR. KUBURSI: Its the same. It has a
4 subcomponent which is visitors expenditures.

5 MADAM CHAIR: Visitors expenditures,
6 okay.

7 Does this have to do with parks or just
8 tourism generally?

9 DR. KUBURSI: Just tourism generally.
10 The guts is exactly the same as the parks -- as the one
11 for the Ontario Ministry of Transportation. What
12 changes --

13 MR. FREIDIN: Sorry, could you speak up.

14 MR. O'LEARY: Could you repeat that?

15 I think he was explaining the similarity
16 between the two.

17 DR. KUBURSI: All these models belong to
18 the same class of impact models. The guts of the
19 system is the input-output macro model. What changes
20 are the screens which relate to the particular activity
21 in question.

22 If you go to the Ministry of
23 Transportation, then the inputs will become highway
24 construction, bridge improvement, airport.

25 If you are coming into MNR, it will be

1 park visitors, the administrative structure and
2 development expenditures within the park.

3 If you come to tourism it become visitor
4 expenditures by the time of origin that we talked about
5 this morning, the U.S., Ontario, the other provinces
6 and overseas.

7 So what changes is only the way you enter
8 into the model, but the model is exactly the same
9 across all ministries and this is the beauty about this
10 system, is that you have now the same single measuring
11 drawing to apply across ministries.

12 MADAM CHAIR: Do you want us to sit here
13 or move down to the computer?

14 MR. O'LEARY: I thought we would invite
15 you down. We are going to turn the lights off. That
16 makes it a little more readable.

17 DR. KUBURSI: This is the 1990 version.
18 It is one year before the GST.

19 MR. O'LEARY: Why don't we make the first
20 page of the printout then.

21 DR. KUBURSI: Right.

22 MR. O'LEARY: We will identify that as
23 the cover page.

24 DR. KUBURSI: If there was a printer you
25 can print everything. I am just giving you a warning

1 that the printer is not ready. We won't want to print
2 anything now, but we will print later.

3 So the first menu that you have would
4 allow you to use standard input or if you have used it
5 before you can call it a saved input or you can quit
6 this menu or exit the system so you have a choice.

7 It is always devoted to S, to standard.
8 You have to enter the date, today is February 25th,
9 1992, it is its automatically there, the computer puts
10 the time.

11 We will call the project name test. The
12 visitor origins, we say all origins and then we have a
13 choice as to the units that we use. It could be
14 dollars, thousands or millions. If we are looking at
15 tourism in general, maybe we will go for millions and
16 then we have a choice of the year and we have here
17 between 1989 and 1999. This is extremely important
18 because prices change and there is a subsystem within
19 the model to use the implicit inflation rates, the
20 latest.

21 MR. O'LEARY: Q. Just before you go on
22 to the next one why don't we identify this one as frame
23 3 and we should also --

24 A. No, I have a name for every frame
25 here. 1.12. Every frame has a number here.

1 Q. All right. So we are going make a
2 copy of 1.11 and 1.12?

3 A. Right.

4 Q. All right.

5 A. We will choose 1991, and then you
6 have all the possible 12 regions I talked about, what
7 we call OTAP, southwestern, Niagara, Georgian Bay,
8 Metro, Central, Eastern, Nippissing, Rainbow County,
9 Algoma, James Bay, North of Superior, Ontario Sunset
10 Country and province wide.

11 Let me go first to province wide.

12 Q. That's frame 1.13. Just for
13 reproduction I am trying to put it on the record, Dr.
14 Kubursi.

15 A. Sure. Then you notice immediately we
16 can do it by all origins, each one separately and
17 added. So you have Ontario residents, visitors from
18 other provinces, U.S.A. visitors, visitors from other
19 countries.

20 I am going to go this time with E,
21 visitors from all origins, and then automatically it
22 prompts me to identify the values and it is always
23 going to be in millions of dollars, of the six dominant
24 tourism categories: automobile expenses, public
25 transportation, accommodation, food and beverages,

1 recreation, retail.

2 Q. How would we describe that screen,

3 Dr. Kubursi?

4 A. This is the input scene.

5 Q. The input screen and it is visitors
6 from all origins?

7 A. Visitors from all origins.

8 Q. All right.

9 A. So I'm going to put one thousand
10 million which is one billion on automobile expenses. I
11 am going to be as close to the eight numbers we used
12 before.

13 I am going to put another billion, say,
14 in public transportation, we will put 2 billion in
15 accommodation, 2 billion in food and beverages and 1
16 billion in recreation, 1 billion in retail.

17 MADAM CHAIR: Why are we putting those
18 dollar values in?

19 THE WITNESS: I am getting as close as I
20 can to the 8 billion in the morning I talked to you
21 about.

22 MADAM CHAIR: Why wouldn't you access
23 those numbers from --

24 DR. KUBURSI: I could easily. These
25 numbers, they usually give it to me from the Ministry

1 of Tourism and Recreation.

2 MADAM CHAIR: Okay.

3 DR. KUBURSI: I am just putting these
4 numbers just in general. I could put any number you
5 want and I could go back and take any numbers you want
6 or take exactly the numbers we used before.

7 So we go back to 1.13 to add things and
8 we don't want to add anything in here. I go back to
9 see if I want to get more than one region. I don't
10 need to do that, and I can now quit to go to the
11 calculations. As simple as that.

12 If we had really a good screen here it
13 would tell me exactly what it is doing. It is going
14 through through that input-output calculation I was
15 talking to you before. You see how fast it is.

16 Now, we are at screen 2.0.0, it is the
17 output menu, and here I have only province wide and I
18 have a menu of output in 2.1.0 and in the impact manual
19 I have standard impacts, taxes, inputs, energy,
20 employment, industry output. It will give you also a
21 printed report. It will give you a complete analysis
22 as if I am there as an economist giving you my advice
23 or evaluating things. You can get all of the above.

24 Let's go for all of the above. It gives
25 me now a opportunity to enter how many of the Ontario

1 resident expenses and other provinces because I am
2 going to calculate for you - and the ministry has
3 numbers that comes in this - as to how much Ontarians
4 are spending in other provinces. I am going to leave
5 it as zero for the moment.

6 It tells us exactly how much Ontario
7 residents are also spending in other countries. I am
8 going to leave it at zero for the moment, but these
9 numbers are available to the ministry.

10 So ultimately they can predict whether
11 the tourism balance with other provinces and other
12 countries is improving or deteriorating, and we have
13 immediately now the test project, all the origins that
14 I talked about. It is province wide, the province as a
15 whole.

16 The expenses in 1991, we have the impacts
17 all in millions of dollars and I have it in terms of
18 income or what we call value added, gross output, gross
19 sales, labour income, employment in persons years, the
20 initial expenditures of 8 billion. They gave is an
21 income of 12.9, gross sales of 19.4 and 8.8 labour
22 income and we have 252,000 jobs -- person years. I
23 have to be very careful about that.

24 I can save it, print it or put it in a
25 graph. I will save it and we can print it for you

1 later on.

2 MR. O'LEARY: Sorry, Mr. Freidin, might
3 have had a question.

4 MR. FREIDIN: Do your numbers come
5 under --

6 DR. KUBURSI: That is calculated within
7 the model.

8 MR. FREIDIN: Based on the number you
9 stuck in?

10 DR. KUBURSI: I just stuck it in. If I
11 change them, I will show you, I can change everything.

12 I mean, if you just want to record
13 252,084, I can show you that if I chose a different
14 combination you get completely different impacts.

15 If I go now to the next screen I get
16 taxes. I have the federal, provincial and local and I
17 have personal income, indirect taxes, tariffs,
18 corporate property tax, property business tax, tobacco
19 and LCBO tax and total taxes and by the level of
20 government. Again, from the \$8-billion expenditure.

21 MR. O'LEARY: Q. Hold on a second. Give
22 everybody a moment. You are going to be able to save
23 all of this?

24 DR. KUBURSI: A. Yes, I can save it. I
25 can give it a name and then can bring it back any way

1 and then print it, whatever you want.

2 Q. You can print out all of the screens?

3 A. Absolutely. GST is not there yet.

4 MR. O'LEARY: I suggest at the end of
5 this hearing that will be one area where there will be
6 complete agreement.

7 DR. KUBURSI: Here you get the balance of
8 payments with other provinces, the overall balance in
9 terms of tourism, the \$2.6-billion deficit Ontario
10 maintains with the rest of the world because of these
11 numbers.

12 MADAM CHAIR: Is that 2.6 billion or
13 26 --

14 DR. KUBURSI: Yes, 2.6 because we are
15 talking about millions. It is millions of dollars.

16 You get also the energy demands. You
17 notice that electricity you have it in gigawatts. This
18 is gigalitres for natural gas, megalitres in crude oil
19 and kilotonnes of coal and they changed to a common
20 unit called terajoule. It takes like 17 terajoules to
21 light Toronto for about an hour. So you have really
22 the way it's going in terms of every single resource.
23 These are all the energy needed to produce all the
24 commodities that would satisfy tourism demands.

25 We have now the way every single

1 industry, 25 of which, of Ontario are impacted. As you
2 can see, travel and accommodation is \$11.9-billion of
3 sales, utility is quite high -- sorry, this is
4 millions, 28 million, 119 million. The largest you can
5 see comes around basically in terms of services. If
6 you add them altogether -- sorry, this is the
7 employment we are talking about here. I better be
8 careful. This is 119,161 person years. So the total
9 is 252,084 that we talked about, but travel and
10 services are the largest. You are talking about
11 135,000 of these, but you have everywhere. In
12 agriculture, 10,762 because of food and beverages.

13 DR. VICTOR: Can you explain why there is
14 a forestry number there?

15 DR. KUBURSI: The forestry number
16 because -- you have 313 jobs. This is because of the
17 demands for furniture, for tables, for closets and
18 motels and accommodation, restaurants, will ultimately
19 come down as demand for furniture and fixtures and then
20 furniture and fixtures is one place here. You have it
21 here, 401, and this has a demand for wood and lumber
22 and gives you the 313.

23 DR. KUBURSI: You have the sales and
24 these are in millions of dollars and this is 19 billion
25 and this is the way it is exactly allocated over

1 industries.

2 Now, the interesting thing that comes is
3 that if we were to go out of this -- I am going to save
4 it. I am going to save it in the directory and I'm
5 going to call it board. It's there now. We have it.

6 MR. FREIDIN: How do you spell it,
7 b-o-r-e-d?

8 DR. KUBURSI: How do I spell it?

9 MR. O'LEARY: It's all right.

10 MR. MARTEL: How long have you been here?

11 MR. O'LEARY: I find it fascinating.

12 MR. MARTEL: Four years from now...

13 DR. KUBURSI: I am going to go into the
14 restart and just go back into -- see, if I go previous
15 now, I put it like this and it gives the b-o-a-r-d.
16 Okay?

17 MR. O'LEARY: Q. That means we can
18 retrieve it?

19 DR. KUBURSI: A. We can retrieve it.
20 If you want to retrieve you say R and then it gives
21 you -- this is the one you want to get back, yes I do,
22 and we see it says all origins. I have everything.
23 Three, I have exactly the regions.

24 MADAM CHAIR: Dr. Kubursi, the regions,
25 can you go back to the regions.

1 DR. KUBURSI: I am going to choose
2 another region for you. That's what I was planning to
3 do.

4 MADAM CHAIR: So with respect to how
5 specific you can get geographically, how much farther
6 can you go within the region? Did you say you could go
7 to a county?

8 DR. KUBURSI: Yes, I can. I have done it
9 really for several areas where I have chosen counties.

10 MADAM CHAIR: On this program or can you
11 just take this program to the regions?

12 DR. KUBURSI: No. I can only take this
13 to the 12 OTAP regions. This is the particular region.
14 We have different things for them, tourism and
15 recreation.

16 MADAM CHAIR: Can we see something that
17 compares regions, if we take the 11 regions --

18 DR. KUBURSI: North of Superior?

19 Which one do you want? Just pick any one of them.

20 MADAM CHAIR: Could you put all 11
21 together and compare something with respect to tourism?

22 DR. KUBURSI: Sure. Let's begin by one
23 example. Let's start with Algoma in 9.

24 MADAM CHAIR: All right.

25 DR. KUBURSI: And take all origins again

1 and we can begin right from scratch now. I have put
2 some dollars.

3 MADAM CHAIR: Do recreation.

4 DR. KUBURSI: How much do you want to
5 put? It is all in millions now. Shall we put --

6 MADAM CHAIR: Can you on this program
7 access the most recent year's data for the actual
8 numbers?

9 DR. KUBURSI: We do actually. That's
10 exactly what I do. They give me these data by region.
11 Let's put one 100, for example, and just put 200
12 million in accommodation and maybe put another hundred
13 in food and beverages and maybe automobile expenses
14 another 50 million.

15 MADAM CHAIR: Why are you putting these
16 numbers in when you can get the actual data?

17 DR. KUBURSI: I am just demonstrating for
18 you, but I could just call anybody in the ministry now
19 and they will give it over the phone these things.
20 They keep a record of these. They pay a lot of money
21 on these surveys on a yearly basis to get exactly where
22 they go and how much is spent. So this data is
23 available.

24 I just want to show you that we are
25 spending now 450, another 50, so it going to be 500

1 million. It is just to show what will the impact on
2 this, okay.

3 I escape everything and I am going to
4 give you the quick one. You see, I have three ways of
5 looking at the output, provincial wide, regional wide
6 and inter-regional. Let's do it inter-regionally.

7 I put 500 million and the income that has
8 been generated is about -- in the north -- you see, I
9 also have to know the total. I take the north from
10 this over...

11 MADAM CHAIR: So those numbers under
12 Income are the correct percentages?

13 DR. KUBURSI: Yes. The only thing that I
14 might have done here is, because we were playing with
15 the model before, I brought the things -- okay, let me
16 escape. We brought something we have saved that
17 accumulated things. Let me just go one more step to do
18 this and say restart.

19 We will just call it test 2 and this is
20 again all origins and I will go a million again and I
21 will go three again and we say nine and we say E for
22 all origins and I put 50 in this one and 50 in this one
23 or a hundred in this one.

24 MR. FREIDIN: The court reporter is
25 asking Dr. Kubursi to speak up.

1 DR. KUBURSI: Sorry. I will give you all
2 these things. I will save them again and I will give
3 you the whole thing, okay?

4 MR. O'LEARY: That's all right. She just
5 wants you to speak up a little more.

6 Q. While you are putting in the numbers,
7 maybe I can ask you to explain again the two ways you
8 can come up with these numbers.

9 DR. KUBURSI: A. Yes. I am trying now
10 to give a demonstration of looking at one subregion and
11 see how much is the local impact in that region and the
12 way that impact spreads over space.

13 We have used the first run, the province
14 wide. I assumed that things were spent in Ontario. I
15 did not locate where these expenses were made and
16 looked at the Ontario impact.

17 Now I am going down to the subregions and
18 trying to locate that. I'm using the total 500 million
19 in the 9th region which is Algoma.

20 I put 50 in automobile expenses, 50
21 million in public transportation, a hundred in
22 accommodation, a hundred in food and beverage, a
23 hundred in recreation and a hundred in retail.

24 DR. VICTOR: Are those the kind of
25 numbers that would change if you were to use this for

1 analysing a timber management plan? Is this where you
2 would put in the new expenditure numbers?

3 DR. KUBURSI: Yes, but I would really
4 suggest that you can design a very specific computer
5 model for that kind of question. This is specifically
6 designed for tourism.

7 DR. VICTOR: Right, but this is where you
8 would enter it in? You would have the base case?

9 DR. KUBURSI: Exactly.

10 DR. VICTOR: Then with the plan you would
11 say how those expenditures on these components would
12 change and then the computer would estimate the impacts
13 of the change?

14 DR. KUBURSI: Exactly. I can demonstrate
15 this, how it would work. I want to add no more of
16 anything. We will just go directly to the
17 inter-regional.

18 Here it is. Now, we spend 500 million
19 and the total impact on the economy is 823. Algoma
20 gets only 410, Metro Toronto is getting 140, 140
21 million from the expenditure, and southwestern 83,
22 Niagara 88.

23 Again, I will look at the jobs. We get
24 9,624 person years and we get quite a bit -- sorry,
25 16,078. The north gets 9,000. This is the interesting

1 thing, but still you get about 2,200 of them in Metro
2 Toronto. Because of the linkages in the economy you
3 get these relationships, but the north is still getting
4 a good fair share of this.

5 MR. FREIDIN: This is as a result of the
6 expenditures in Algoma?

7 DR. KUBURSI: In Algoma. But you see
8 Algoma itself gets 9,339 of these jobs. Most of the
9 other areas in the north are getting really very
10 little.

11 MR. O'LEARY: Q. It looks like almost
12 half of it is in southern Ontario?

13 DR. KUBURSI: A. Absolutely. Let me
14 make the story even a little more difficult for you.

15 Let me go back into the area and say
16 carry over and I go back to the place where we were and
17 I am going to do something, again 9, I am going to get
18 to E and I am going to put everything in one, like
19 automobile expenses, where the north has nothing to do
20 with it. Let me put the 500 million there and put zero
21 every place else. It is just to show you how sensitive
22 the story is to the type of expenditures.

23 Q. Just while you are on that screen,
24 how many more areas could you add to that menu there?

25 A. I will show you in some menus I have

1 500 commodities. I will demonstrate it.

2 Q. So the model would be capable of
3 considering and comparing all of those different items
4 contained in such a menu?

5 A. Sure, but for tourism these are the
6 six real relevant issues. I mean, this is what I said,
7 the input screens are tailor made to the use you want.
8 The logical model and how it works is common to all
9 models.

10 Q. All right.

11 A. What do you expect now? We put
12 everything in cars. What would be your expectation?

13 MADAM CHAIR: Everything is in the south.

14 MR. FREIDIN: People wouldn't lose their
15 jobs in St. Catharines.

16 DR. KUBURSI: The north got 402 only.

17 MR. FREIDIN: And that is for servicing
18 the vehicles and --

19 DR. KUBURSI: That is what it is. It is
20 gas stations. That's what it is, exactly.

21 So the model is really sensitive to the
22 type of sector where you spent, the location of the
23 expenditure and how these things are allocated or
24 spent.

25 Mind you, when you spend in manufacturing

1 sometimes you don't get as much jobs. We thought the
2 car industry to be the most important, but services
3 tend to be the more job producing than manufacturing in
4 many activities.

5 All right. Now, I can go back to the
6 regions and look at every region. Look at Metro
7 Toronto, for example, which is four. We didn't spend
8 anything in it, right, zero we spent in it, but look
9 how many jobs they got, 2771.3, despite the fact that
10 we didn't spend a penny.

11 MR. MARTEL: You can always send us your
12 garbage.

13 DR. KUBURSI: That's what they are doing?

14 MR. MARTEL: That's what they want to do.

15 DR. KUBURSI: These are the kinds of
16 things we are talking about.

17 Is there anything you would like to see?

18 MADAM CHAIR: I think I understand.

19 Do you want to see anything else?

20 MR. MARTEL: Can you take this down to,
21 let's say, a forest management unit or there is not
22 enough...

23 DR. KUBURSI: Well, you could. I will
24 tell you, one thing I would show you what happened in
25 the United State is you take the communities adjacent

1 to the forest and you try to talk about them and the
2 smallest unit I could go to is a county. If you look
3 at the forest and see how many counties and what
4 proportion of the forest fronts or relates to the
5 county, you can then make an aggregate of counties
6 weighted to the way they relate to the forest. You can
7 do that.

8 DR. VICTOR: What about expenditures at
9 the FMU level?

10 DR. KUBURSI: This is exactly it. Once
11 you get the FMU level and you really know where the
12 expenditures are made, you apportion them into the
13 counties in proportion to how these expenditures have
14 been made.

15 DR. VICTOR: But you could apply this to
16 expenditures at the FMU level?

17 DR. KUBURSI: Oh, yes. If you want to
18 see a system where it is a little bit larger than this,
19 I will show you a little bit where the expenditures are
20 a little bit -- I call it grim because it is grim
21 results, for the north particularly. This is really
22 one for the north. See, this is northern Ontario,
23 right. I have one for just northern Ontario. This is
24 all businesses. This is the supply side, but I take
25 all businesses.

1 See, I can enter things in terms of
2 commodities, grain, agricultural products, forestry
3 products, fishing, metallic, mineral, non-mineral,
4 service incidental to mineral, food, meat and
5 beverages, tobacco, leather, textiles --

6 THE COURT REPORTER: Excuse me.

7 DR. KUBURSI: Sorry.

8 THE COURT REPORTER: Could you repeat
9 that, please.

10 DR. KUBURSI: What you really want to say
11 here is that we can expand the input screens to include
12 several commodities other than the six typical of
13 tourism expenditures.

14 Here I have 44 in this model, but you can
15 see that I can go down to machinery equipment, autos,
16 trucks. Every one of them we can put any number you
17 want, electrical products, non-metallic minerals,
18 petroleum, coal products, chemicals, miscellaneous
19 manufacturing, residential construction,
20 non-residential construction, repair, transport and
21 storage, communication, utilities, wholesale margins,
22 retail margins, rent, other finance, insurance, real
23 estate, business services, personnel service,
24 transportation margins, operating office lab, food,
25 travel, advertising, promotion, labour income.

1 She doesn't have to put these, does she?
2 Maybe I won't see it, you can see. So
3 you can enter it at any level you choose. So it
4 doesn't have to be six. I mean, I could go forestry
5 right here and see what is the demand for lumber,
6 sawmill, other wood, compared to something else.

7 Do you want me to take an example of
8 lumber, sawmill?

9 MR. MARTEL: (nodding affirmatively)

10 DR. KUBURSI: We put it all in one place
11 and it exaggerates things like crazy, but let's try.

12 DR. VICTOR: So where have you assumed
13 the money is spent?

14 DR. KUBURSI: All in northern Ontario.

15 MR. FREIDIN: There is 8,800,000.

16 DR. KUBURSI: Did I do that or 8 billion?

17 MADAM CHAIR: Eight billion.

18 DR. VICTOR: That was all spent in
19 northern Ontario.

20 DR. KUBURSI: So I need the summary
21 report or the full report. Here it is.

22 Even though I spent everything in the
23 north I get 346,000. How much did we get, 200 and
24 something in tourism and now we are getting 346,841,
25 but we are getting still in Ontario 234 and the north

1 only got 112. We get 117 in tourism staying in the
2 north.

3 DR. VICTOR: Can you say that again?

4 DR. KUBURSI: We are getting 346,000
5 person years of employment, only 112 stay in the north,
6 the rest goes to other parts of Ontario.

7 DR. VICTOR: What about tourism?

8 DR. KUBURSI: It is a little bit higher.
9 I will save it and we will give a printed report. I
10 will give you a printed report.

11 We will go back and save it again and
12 just call it board again here. I will give you two
13 printouts, one for this one and the one before.

14 MADAM CHAIR: Thank you, Dr. Kubursi.

15 I don't have anymore questions.

16 Does anyone else.

17 (no response)

18 Thank you.

19 MR. O'LEARY: Madam Chair?

20 MADAM CHAIR: Mr. O'Leary.

21 MR. O'LEARY: We have extensively and
22 carefully gone through the questions we had prepared
23 and realize that there were some additional ones we
24 could carve out, so I should be fairly brief. So it is
25 likely we will get into cross-examination this

1 afternoon.

2 Q. Dr. Victor, can I ask you to turn,
3 first of all, to Exhibit 2062 which is the planning
4 process diagram that the Coalition has put together and
5 filed in an earlier panel. It is this one.

6 (indicating)

7 MADAM CHAIR: Can you hold that up, Mr.
8 O'Leary.

9 MR. O'LEARY: (indicating)

10 MADAM CHAIR: I think that has stayed
11 with our other -- do you have a copy we can share?

12 MR. O'LEARY: Sure. I will give you this
13 one.

14 MADAM CHAIR: Thanks, Mr. Hanna. We have
15 a copy, but it's not here.

16 MR. O'LEARY: Q. Can I ask you whether
17 or not you have had a chance to review this, Dr.
18 Victor?

19 DR. VICTOR: A. Yes, I have reviewed it.

20 Q. Tell me, do you have a view as to the
21 consistency of the planning process as identified in
22 Exhibit 2062 with your economic analysis tools, the use
23 of your economic analysis tools?

24 DR. VICTOR: A. Yes. This is the kind
25 of process that I'm familiar with working with. That

1 meaning that there is a biophysical component and then
2 out of the biophysical analysis comes some results in
3 natural units; in other words, in units as measured,
4 numbers of animals, quantity of wood, and then there is
5 the connection with valuation. There are opportunities
6 to introduce the economic values of those results and,
7 therefore, that is, as I say, very consistent with the
8 sorts of frameworks that I am used to working in.

9 If you would like, perhaps it would help
10 if we could turn to page 2 of the exhibit. In the top
11 right-hand corner there is a box entitled Resource
12 Production Possibilities, Benefits and Costs, and those
13 are shown for each option and are presumably to be
14 measured in a variety of units. I might also expect to
15 see there the various kinds of economic impacts
16 associated with each option.

17 Underneath that box we have the
18 Evaluation of Options and there is, as mentioned, a
19 conversion of production possibilities to commensurate
20 units and to the extent that that can be done using
21 economic measures of value, the evaluation methods that
22 I have talked about can be very useful at that point
23 and that is where the economic evaluation component
24 could come in.

25 If you turn now to the next page, page 3,

1 which is a more detailed statement of how a particular
2 option is to be evaluated, again, I would just like to
3 point out where I would see the economic components
4 coming in.

5 There is a box that's at the top, second
6 one across, Analysis of Forest Structure, which
7 mentions things like implementation costs and impact
8 costs or impacts we would say, benefits and risks.
9 That is one of the places where the economic tools
10 would be used and the other place is in the bottom
11 right-hand corner under the heading Analytical Support
12 Tools where it says, again, valuation methods,
13 benefit/cost analysis. That's where the valuation
14 component comes in.

15 I think the sorts of methodologies that
16 we have given evidence on are perfectly consistent with
17 this sort of framework.

18 Q. Dr. Victor, in response to question
19 64, page 31 of the witness statement, you discuss your
20 review of the timber management planning process and
21 discuss the flaws from a socio-economic perspective.

22 Specifically, you state that:

23 "There appears to be a total absence
24 of the use of formal socio-economic
25 valuation procedures in the planning

1 process."

2 You make reference to the use of
3 constraints being imposed in various activities.

4 During the scoping session the Board
5 raised a question and asked specifically if a
6 comprehensive evaluation of timber and non-timber
7 values within a forest management unit were undertaken
8 is it likely that non-timber values could be
9 demonstrate to have equivalent or greater economic
10 value than timber values.

11 I was wondering if you had a comment in
12 respect of that inquiry?

13 A. Yes, I do. I think that the outcome
14 of a comparison of non-timber values with timber values
15 is likely to be very dependent upon the specific
16 circumstances; in other words, perhaps it is not even
17 helpful to think of that comparison at a provincial
18 level. That wouldn't be relevant, I would argue, to
19 any decision that has to be made.

20 At a local level, at the area -- at the
21 level where decisions have to be taken with respect to
22 a timber management plan, in some circumstances I would
23 expect to find that non-timber values indeed do
24 outweigh timber values.

25 One example which comes to mind where

1 that may very well be the case would be with respect to
2 the old growth timber in the Temagami area. I would
3 think it's quite likely that if one was to do an
4 estimate of the non-timber values of those stands and
5 compare it with the timber values that the non-timber
6 values would come out ahead.

7 Q. The Board has also asked in the
8 scoping session the question:

9 "Regardless of the outcome of a
10 socio-economic analysis, if non-timber
11 values are required to be protected
12 through the timber management planning
13 process what extent should an effort be
14 placed or made in undertaking a
15 socio-economic analysis?"

16 A. The principle of protecting
17 non-timber values is an important one and it's one that
18 I would certainly support, but in my view it's not a
19 question of: Do we protect them or do we not.

20 It's the question of: What's the most
21 effective way and to what extent do we provide
22 protection; in other words, what is the most
23 appropriate tradeoff to be made in specific
24 circumstances between timber values and non-timber
25 values.

1 So starting from the position that
2 non-timber values aren't protected, I nevertheless feel
3 strongly that a socio-economic analysis can be
4 extremely helpful in clarifying to what extent they
5 should be protected, in what areas they should be
6 protected and in what ways they can best be protected.

7 So I believe that the socio-economic
8 analysis would still be helpful under those conditions.

9 Q. Dr. Victor, do you have a view as to
10 the reliability that someone can place on the
11 protection that would be afforded by a fixed level of
12 protection?

13 Let me just use an example of a buffer
14 constraint and compare that with the reliability that
15 one could place on the socio-economic analysis in which
16 you and Dr. Kubursi are suggesting is appropriate in
17 the timber management planning process?

18 A. I have an idea about that and it's
19 based upon a very large number of studies that have
20 been done by economists on regulation designed to
21 achieve environmental objectives.

22 Now, that's not necessarily with respect
23 to timber management, but it is right across the whole
24 field of environmental protection, pollution abatement,
25 and one result has emerged time and time again and that

1 is that across the board technologically determined
2 standards are frequently a very costly way of achieving
3 the environmental objective, that usually -- and it is
4 hard to think of an example based on the literature
5 where this hasn't happened. Usually if ways can be
6 found to build in inflexibility; in other words, to
7 provide more protection where the pay off is greater
8 and cut back on protection where it doesn't really do
9 very much, that the environment can be more thoroughly
10 protected at lower cost.

11 So based upon that background of
12 literature, familiarity with the literature on how to
13 set standards to achieve environmental objectives, I
14 would say that if flexibility can be built into the
15 timber management process so that the way in which the
16 four main activities associated with timber supply are
17 regulated, if that can be done in a more flexible way I
18 think that the protection of the environment would
19 likely be enhanced, yes.

20 Q. Dr. Victor, I would like you to turn
21 now to Exhibit 2109A which is an exhibit that was put
22 together by Dr. Page and Mr. Patch last week in respect
23 of the habitat supply analysis.

24 Can I ask you how this information, if at
25 all, could be used as input to the socio-economic

1 assessment that you are referring to?

2 A. Yes. This is very much the kind of
3 information that I as an economist would look for in
4 evaluating alternative approaches to timber management
5 planning.

6 The reason I say that is that looking at
7 the bottom of this first page is a graph of numbers of
8 marten against time. That presumably follows from the
9 timber management profile that's in the upper two
10 graphs.

11 It's that kind of projection that
12 economists use to evaluate the plan. For example, in
13 this particular case, the declining population of
14 marten that's projected could be converted into the
15 numbers trapped and a value attached to that, and that
16 allows us then to estimate the economic value and, in
17 this case, presumably the decline in economic value of
18 the population of marten as a result of the timber
19 management activity.

20 Q. Thank you. Another question raised
21 by the Board during the scoping session several of
22 weeks ago was in respect of the paper by Dr. Marvin
23 Schaeffer which is contained in the witness statement
24 under Tab 5, and the Board had a question that perhaps
25 I could ask you, Dr. Victor, to respond to and that is,

1 do you have any information in respect of the apparent
2 absence of the consideration of ecological and
3 aesthetics values in Dr. Schaeffer's report?

4 A. Yes. Those values are addressed to
5 some extent in the report in two ways. There is a
6 discussion of them in natural term, natural units.
7 There is no economic evaluation of them. There is also
8 the extent to which they feed into the evaluation of
9 recreation. One of the reasons why people value
10 recreation, as I said yesterday, is that they value
11 exposure to an attractive environment.

12 However, the question that I think is
13 critical here is why there is no explicit evaluation of
14 ecological and aesthetic values in the study, and my
15 understanding is that the terms of reference for the
16 study just did not call for that to be included.

17 Q. What is the basis for that statement,
18 Dr. Victor?

19 A. I spoke with one of the authors of
20 the study.

21 MADAM CHAIR: Dr. Victor, can you point
22 to the Board to any studies that have been done that
23 have evaluated old growth forests or aesthetic values?

24 DR. VICTOR: Well, many of the studies
25 that I referred to in my evidence yesterday did deal

1 with aesthetics values. Not necessarily under that
2 heading, but they would be included.

3 In terms of valuing old growth forests, I
4 think there is a reference in my bibliography to some
5 work by Adam White which may address the specific
6 question you have asked.

7 MR. O'LEARY: It is under Tab 2 of the
8 witness statement, Madam Chair.

9 DR. VICTOR: I have to check the study to
10 see whether they include the valuation that you are
11 looking for. I can do that now, if you like, or I can
12 do it during the break.

13 MADAM CHAIR: During the break will be
14 fine. Thank you.

15 MR. O'LEARY: If not, we will try and get
16 a response for you by tomorrow morning, then.

17 DR. VICTOR: I would like to continue
18 with my answer--

19 MR. O'LEARY: Certainly.

20 DR. VICTOR: --about the Schaeffer study.
21 Perhaps there was a misunderstanding as to the reason
22 why this study was included without evidence.

23 It was not to demonstrate or to give an
24 example of the evaluation of ecological and aesthetic
25 values so much as to provide the Board with an example

1 of a systematic, multiple-account approach to the
2 evaluation of different timber harvesting options.

3 I believe the study lays out quite well
4 the major factors that one would like to look at in
5 comparing the different options, and bearing in mind
6 that this was a study for which the budget was I think
7 \$35,000 and only a portion of that went to the
8 economist. I think it shows what can be done for a
9 relative low budget.

10 MR. O'LEARY: Q. Dr. Victor, could I ask
11 you to turn to page 37 of the witness statement. In
12 response to question 75, where you were asked:

13 "What are practical implications of
14 implementing your proposed changes..."
15 and you identified five implications.

16 The Board also asked a question during
17 the scoping session in respect to the time period in
18 which it might be reasonable to assume that these
19 various areas that you have identified in your response
20 could be completed and the amount of resources in terms
21 of dollars that would have to be directed towards them.

22 I would ask you to provide us with your
23 view as to the time and expense involved in meeting the
24 five areas that you have identified in question 75?

25 DR. VICTOR: A. Yes. With respect to

1 the first item, familiarity by the proponent with the
2 literature, that my evidence has drawn upon, there are
3 two ways of going at that.

4 A study can be commissioned to bring the
5 material together in one convenient place or it can be
6 done by a staff of the ministry. The second approach
7 wouldn't require any outlay of funds.

8 So I think that that is a very low ticket
9 item either way and we are talking about a period of
10 perhaps six three to six months for that.

11 Now, it might be suitable to include some
12 sort of training program. As an example, 10, 11 years
13 ago I was involved in some training for staff of the
14 Ministry of the Environment on similar matters, on the
15 use of economic methods in environmental assessment,
16 and there are lots of people around who are quite
17 capable of providing that.

18 For item 2, the assembling of estimates
19 of non-timber values that have been already been made
20 and which might be directly applicable to Ontario,
21 again, this is the kind of work that typically is
22 assigned to consultants to do. I would think that a
23 good job of that could be done for about \$50,000 and in
24 the time frame of about six months.

25 I would hope that the evidence that we

1 have brought before the Board would be of considerable
2 assistance in doing that very task, but there is a
3 larger literature. We certainly haven't referred to it
4 all.

5 The third item which is the establishment
6 of technical manuals for the estimation and use of
7 non-timber values by staff of the Ministry of Natural
8 Resources, this perhaps would take a year.

9 It's not that difficult to draw up a
10 manual given that such documents already exist in forms
11 that are close to what might be suitable for Ontario,
12 but I think that it's important in developing technical
13 manuals that they be thoroughly review by the people
14 who would use them and modify them.

15 So this would tend to add some time,
16 but I think a year and, again, if you were to have a
17 consultant do a piece of work like this I think a
18 budget of about \$100,000 would be adequate.

19 The fourth item, which is the initiation
20 of a research program in Ontario to develop generic
21 estimates of non-timber values, is one that I attach a
22 lot of significance to. This is an area where there is
23 a tremendous level of activity, there is new work being
24 done all the time and it would be very important for
25 the Ministry to remain up to date on that research and

1 one of the best ways do that is to take part.

2 I would see a modest budget of perhaps
3 \$75,000 a year being used to support research in that
4 area in Ontario would be very helpful to the Ministry.

5 Finally, to identify criteria for the
6 developing -- sorry, criteria for identifying
7 situations where the generic estimates are inapplicable
8 and site specific estimates should be made, I would see
9 that would be included in the technical manual. That's
10 one of the areas that you would identify in the manual.

11 Now, these dollar estimates I have
12 provided you with are clearly ballpark estimates. This
13 kind of work could be done possibly for a little less,
14 no doubt for more, but I think that they are realistic
15 number and the time frame for all of that activity,
16 apart from the ongoing commitment to research, of six
17 months to a year is highly realistic.

18 Q. I understand in your comment that you
19 mentioned three to six months in respect of No. 1 and
20 six months for two and a year for No. 3, you are saying
21 that some of this could be done concurrently?

22 A. Oh, yes. This isn't sequential.
23 This could all be done concurrently.

24 Q. Thank you. Dr. Kubursi, could I ask
25 you, in response to question 84 where you indicated

1 that economic impact analysis is relevant to timber
2 management planning, could you specifically identify
3 those jurisdictions where economic impact analysis is
4 used routinely in timber management planning?

5 You made reference to it in your
6 presentation in morning, but I was wondering if you
7 could specifically identify those areas where it is
8 used routinely in timber management planning?

9 DR. KUBURSI: A. Yes, I can. Actually,
10 I would like to refer you, if I may, to Exhibit 1754A.
11 and D, but specifically D.

12 Q. Which is?

13 A. D deals with the Willamette forest,
14 national forest study, Willamette in Oregon. This is a
15 study done by the U.S. Forest Service. It uses
16 routinely input-output analysis to evaluate the
17 economic impact on three communities that they
18 considered to be primary and about six other
19 communities that are considered to be secondary.

20 The primary communities are those that
21 are absolutely adjacent to the forest. The eight other
22 communities, and they are all in terms of counties, are
23 deemed or that are substantive evidence to show that
24 they have some interaction with the primary regions of
25 impact.

1 They use the national input-output table.
2 Anyway, we might as well score the point here that the
3 United States' use of input-output it far behind
4 Canada's.

5 In Oregon, they have to use the
6 Department of Commerce national input-output to get the
7 technology structures of the State or Oregon.

8 In a way we are substantially more
9 fortunate here in the sense that the Canadian
10 input-output tables are actually by province.

11 I might add that in some of the
12 applications they have used the British Columbia
13 input-output table to explain the economic performance
14 in Oregon, and I must add that one of those who is
15 responsible for this is a student of yours who is
16 really noted here as the person who developed the
17 software IMPLAN, I-M-P-L-A-N, micro software which is,
18 to some extent, some sort of a replicate of the system
19 we use here, but one that depended very heavily on
20 input-output of British Columbia or the national table.

21 Again, what they are really doing there
22 is to estimate the final demand of expenditures of the
23 timber activity and other uses of the forest under
24 alternative combinations of weights, allowing timber to
25 be the dominant with very little recreation or a little

1 bit more recreation and less timber, and then testing
2 the sensitivity of the local economic base on the three
3 counties - I can give you the names if you want to -
4 three counties and then eight secondary counties in the
5 State of Oregon and the way they respond in terms of
6 four variables: employment, income, the tax base and
7 the import/export, so to speak, with the rest of the
8 state. They do this on a routine basis. They identify
9 the counties separately and in combination as primary
10 impact area and secondary impact area.

11 Q. Are there any particular pages that
12 you would like to direct the Board's attention to?
13 Perhaps you could identify the page number.

14 A. Yes, I was going to do that. It's in
15 Exhibit 1754D. I would like to draw your attention to
16 Table B26, page B75, and then the following pages, but
17 particularly page B76 and there are Tables B27 and B28.

18 Notice that they put a base case and then
19 try to see the incremental changes that each
20 alternative from K to L that represent different
21 weighting on the recreation versus timber activity and
22 their impact on the three counties.

23 They also try, but they don't seem to
24 have quantified it here to look at other social impact,
25 like the cohesion, the stability of the region, the

1 population of the region they are talking about and the
2 way these different combinations may affect some
3 minority groups in the region.

4 Q. Thank you, Dr. Kubursi. Dr. Victor,
5 could I ask to you turn to the Coalition's terms and
6 conditions Nos. 3, 4 and 24 and I simply want to ask
7 you whether or not -- do you have those?

8 DR. VICTOR: A. Yes, I do.

9 DR. KUBURSI: A. 3, 4 and 24?

10 Q. Yes. I simply want to know whether
11 or not you have a view as to whether or not these terms
12 and conditions are consistent with providing a
13 predictable and continuous supply of wood to the forest
14 industry?

15 MR. MARTEL: What numbers again?

16 MR. O'LEARY: 3, 4 and 24.

17 DR. VICTOR: Yes. My understanding of
18 these terms and conditions is that they call for forest
19 management to be based upon a predictable supply of
20 resource benefits and timber is one component of the
21 resource benefits and, as I have been saying for last
22 two days, there are many other kinds of resource
23 benefits.

24 I think the basic reason for seeing that
25 these terms and condition are consistent with a

1 predictable and continuous supply of timber is that
2 experience I think is beginning to show us that unless
3 we anticipate the non-timber value implications of
4 resource management the time comes when public concern
5 for non-timber values become so pronounced that there
6 can be an interruption in the supply of wood from the
7 areas of concern.

8 So I think it can only help all parties
9 if there is an attempt to look ahead in the future,
10 both with respect to timber supply and non-timber
11 values and base management on a careful assessment of
12 both aspects.

13 Q. All right.

14 DR. KUBURSI: A. May I answer?

15 Q. Certainly.

16 A. What is essential to economists is
17 this resources, limited as they are, are allocated to
18 their most valued use and any underestimation of the
19 alternatives or the combinations with which one may
20 supply a particular output would lead to inefficiencies.

21 In this respect it would be absolutely
22 critical that we recognize all the alternatives and the
23 worth so that allocation of these scarce resources are
24 indeed efficient in maximizing or in raising the net
25 present value and the social impact and economic impact

1 there alternatives may provide.

2 MR. O'LEARY: Madam Chair, I have about
3 ten minutes left and I wondered - I might be a little
4 bit longer than that - if you wanted to take a break
5 now and we could come back.

6 MADAM CHAIR: Ms. Swenarchuk, if we let
7 Mr. O'Leary finish at this point and then took our
8 afternoon break, would 45 minutes give you long enough
9 to complete your cross-examination?

10 MS. SWENARCHUK: That will probably give
11 me about three times as much time as I need.

12 MADAM CHAIR: All right, then, that's
13 what we will do. We will complete the
14 examination-in-chief before our break.

15 MR. FREIDIN: Madam Chair, I am just
16 wondering, if Ms. Swenarchuk is going to finish before
17 four o'clock I think that my cross-examination will be
18 more structured and perhaps shorter if I don't start
19 today.

20 MADAM CHAIR: We are going to have a
21 scoping session this evening.

22 Is anyone else showing up? We could
23 start it early is what I am suggesting.

24 MR. FREIDIN: Let's play it by ear. We
25 may not have much time left anyway.

1 MR. O'LEARY: Q. Dr. Victor, you
2 indicate in response to question 97 of the witness
3 statement - you don't need to turn to it, I will just
4 paraphrase it - that the Fish Habitat Guidelines are
5 not consistent with the economic evaluation approach
6 that you have described.

7 Have you had a chance to review appendix
8 Roman numeral X of -- well, Appendix X of the Red Lake
9 Timber Management Plan and the documentation of the
10 application of the Fish Habitat Guidelines contained in
11 that particular appendix?

12 DR. VICTOR: A. Yes, I have taken a look
13 at the appendix.

14 Q. Can I ask you your views as to
15 whether or not the analysis of alternative
16 prescriptions -- well, can I ask your views in respect
17 of the consistency of what you saw in that appendix
18 with the proposal you put forward today in respect of
19 economic analysis?

20 A. Yes. I have some difficulty with the
21 appendix because I don't see a systematic prediction of
22 effects for each of several alternative plans.

23 The problem that that would cause me is
24 that without a prediction of the different kinds of
25 effects, perhaps as exemplified by the pine marten

1 example we were looking at a moment ago, is that it's
2 very difficult, if not impossible, to apply an economic
3 evaluation to the alternatives.

4 Q. Can I ask you, does the analysis of
5 the alternative prescriptions presented in the AOC
6 documentation in the Red Lake Timber Management Plan
7 meet the standards that you would expect in order to
8 provide evidence that an optimum level of protection is
9 being achieved?

10 A. No, they don't meet those standards.

11 Q. All right. Now, in response to
12 question 98 regarding the recycling of wood fiber, you
13 indicate that the actual percentages of recycled fiber
14 need to be examined, and that is question 98 of your
15 witness statement.

16 Can I ask you whether or not you have had
17 an opportunity to examine this issue? I put that to
18 both yourself and Dr. Kubursi.

19 A. Yes. This is an issue that we both
20 had to address in some work that we were collaborating
21 on before I left last December.

22 So I would say two things about this
23 issue. The first addresses the question of why do we
24 need a target of this sort in the first place.

25 Q. You are referring to the 60 per cent?

1 A. The 60 per cent recycled fiber
2 content, yes, or 10 per cent for lumber production.

3 In an ideal world, at least ideal from
4 the point of view of economics, prices would guide the
5 level of recycling in society.

6 If all of the environmental effects of
7 timber production, pulp and paper manufacturer, were
8 included in the price of those products, then we could
9 make a good argument that whatever recycling -- to the
10 extent that recycling paper itself would be the right
11 level.

12 The problem we have got is that there is
13 an awareness that a lot of the environmental effects of
14 forest products activities and one could also say the
15 recycling activities, a whole lot of activities, those
16 effects are not included in prices.

17 Now, as a matter of policy the Ontario
18 government has declared that by the year 2000 50 per
19 cent of all waste going to final disposal in the
20 province will have to be diverted and the method for
21 diversion will include reduction, reuse and recycling.

22 In the work that we have been doing, we
23 were doing together as of December - maybe Dr. Kubursi
24 can be even more up to date than I can on this - in
25 that work we were looking at very, very high rates of

1 recovery for paper products as an absolutely essential
2 component of meeting those diversion targets and the
3 kinds of recovery rates that we believe will be
4 required would lead to a recycled fiber content of
5 somewhere in the range of 50 per cent if all of that
6 recovered fiber was to be used in that way.

7 Now, traditionally the province has been
8 an importer of recycled fiber content. Now, if that
9 was to continue to any significant extent, then a 60
10 per cent recycled fiber content figure wouldn't be out
11 of the question, but I come back to my main point and
12 that is, I believe that a target of some sort is
13 required and whether that be 60 per cent or some other
14 percentage is perhaps less significant than the basic
15 point, but the basic point is that some sort of
16 percentage is required because we cannot have
17 confidence that the market system left to itself will
18 come up with an appropriate level of recycling because
19 of the reasons I gave before.

20 MR. MARTEL: Can you put that in plans,
21 for example, like Kapuskasing where you would have to
22 import to the area almost every pound of paper, a long
23 haul not a short haul both ways, taking the old paper
24 back and then bringing it south?

25 That, in fact, is one of the problems

1 that confounds northern Ontario in terms of cost of
2 production of anything. You really should be basing
3 your economy producing what's there not trying to find
4 something in the State of New York to haul 6-, 7-, 800
5 miles to recycle and then try to sell it because you
6 just place yourself out of the market.

7 DR. VICTOR: Well, this is clearly a
8 problem that many mills in the province have recognized
9 that they face. This is very much a policy driven
10 issue and a market driven issue.

11 The public, for whatever reason, we know
12 the reasons, are now showing a preference for paper
13 with recycled content. If Ontario was to do nothing by
14 means of policy in this area, it seems that the export
15 market that we feed into is moving very rapidly into
16 requiring a significant recycled content of its paper
17 and the impact on the industry and the province will be
18 significant, as I said, regardless of what we do
19 ourselves just because it is such an export driven
20 industry.

21 So, yes, I think I agree with your
22 observation that a mill such as Kapuskasing faces a
23 very serious situation.

24 MR. MARTEL: Can they compete in any way,
25 shape or form?

1 DR. VICTOR: I think I will let Dr.
2 Kubursi have that one.

3 DR. KUBURSI: Okay. Maybe I will put the
4 framework that I looked at the problem.

5 We looked at the problem from two points
6 of view. One, that we took that target to be effective
7 and we worked backwards and we worked under the
8 condition that there would be no change in our export
9 market, and then what we found that there would be some
10 major structural deployment of the industry, that the
11 industry would shift from the north into the south as
12 we move into de-inking and near garbage areas as it is
13 coming in.

14 The extra jobs that are expected to come
15 from hauling, sorting and recycling don't tend to be
16 large, particularly as we have to pay for them and
17 paying for them would depress other activities that
18 this money could have been used for.

19 The severe results come from a reduction
20 in exports as indeed seems to be the case and there the
21 results were very drastic. We are likely to lose
22 something in the neighbourhood of 28,000 jobs if we
23 continue the recycling under the assumption of reduced
24 export potential.

25 Now, we looked at the traditional

1 markets. If indeed we can develop alternate markets,
2 then the impact on employment would not be that severe,
3 would be minor redistribution between the north and the
4 south, but if indeed there will be a reduction in
5 exports as the short term is telling us, then the
6 consequences will be very severe.

7 Q. Could I ask you, Dr. Victor, if no
8 target was set, and you have indicated that 60 per cent
9 is something that is worth considering, if no target
10 was set, would the market still come up with the
11 appropriate level of virgin fiber?

12 Would it utilize the appropriate level or
13 would a target be helpful in that respect?

14 DR. VICTOR: A. Well, I think that's
15 where a target would be helpful. I think the concern
16 is the one I have already mentioned, that all of the
17 costs of accessing virgin fiber do not necessarily show
18 up in the price that's paid for it.

19 The environmental consequences which
20 don't get transmitted through the market are not
21 factored into the calculation.

22 That's why -- I mean, that's why the
23 government of Ontario, to my understanding, felt it
24 necessary to set targets for waste diversion in the
25 first place and not to say: Well, we will let the

1 amount of recycling and reduction that's going to
2 happen anyway happen. They said: We have got to come
3 into the system and encourage and induce and require a
4 significantly greater degree of waste diversion than
5 the market system would do on its own because of the
6 belief that insufficient consideration is given in the
7 market to resource depletion and to environmental
8 effects.

9 DR. KUBURSI: A. There is also one
10 additional point and I think Mr. Martel was hinting at
11 it and I didn't have the chance to address it
12 completely.

13 The market for the secondary resources,
14 the recycled fiber is extremely volatile. At one time
15 it was expensive and it was really costing more to
16 produce a tonne of paper from recycled fiber than from
17 virgin fiber because it had to be brought all the way
18 from Buffalo and Chicago and not much was really
19 available, then all of a sudden the price fell
20 drastically.

21 So there is really a situation here where
22 the economics of that market is not yet well
23 established given some extreme volatility in the feed
24 stock prices, but if we look at total resources and
25 their cost, the de-inking process tend to use less

1 energy and tend to be, because of the nature of the
2 technology and the upgrading that's taking place in
3 some of these plants and having to compete with all and
4 to some extent decrepid plants in some communities, the
5 de-inking process is getting some sort in the arm and
6 competing in a way on completely different grounds with
7 old mills.

8 MADAM CHAIR: Excuse me, Dr. Kubursi. Do
9 you know where the 60 per cent target came from in
10 these terms and conditions of the Coalition?

11 DR. KUBURSI: Well, I am not really
12 totally sure about this, but they came from Japan to
13 some extent and some of the things that followed.

14 MR. O'LEARY: There is an interrogatory
15 response, 25(b), to the MNR that was filed at the
16 beginning of yesterday that speaks to that.

17 MADAM CHAIR: Could you hold on for a
18 minute, Mr. O'Leary. 25(b)?

19 MR. O'LEARY: Yes.

20 MADAM CHAIR: Was that added more
21 recently than the rest of the package?

22 MR. O'LEARY: It was added yesterday.

23 MR. FREIDIN: Was it given a separate
24 number?

25 MADAM CHAIR: Oh, the answer is still to

1 follow.

2 MS. SEABORN: Isn't it page 15 of the
3 interrogatory package?

4 MADAM CHAIR: Yes, that's the other
5 answer. Okay, fine.

6 MR. O'LEARY: I believe we included that
7 as part of Exhibit 2111.

8 DR. KUBURSI: In some sense then it is,
9 we are arguing here, a logical consequence of the fact
10 that there is a 50 per cent diversion target.

11 MADAM CHAIR: We have also received
12 evidence, Dr. Kubursi, that there is some question
13 about the technological ability to meet the 50 per cent
14 recycled content and that the last information we had
15 was that in Japan they are barely able to meet the 50
16 per cent.

17 DR. VICTOR: Perhaps I can draw your
18 attention to Exhibit 2111 that was filed yesterday. It
19 is attached to the interrogatory.

20 MADAM CHAIR: Yes, I just read that
21 answer. I hadn't seen it until now.

22 MR. O'LEARY: There is paper attached
23 that should be attached.

24 MADAM CHAIR: Yes, the Canadian Pulp and
25 Paper Association.

1 MR. O'LEARY: That's correct.

2 DR. VICTOR: I think this is a telling
3 document from the industry. It shows that a lot of
4 mills outside of Canada are already working with
5 recycled content and the recycled content varies from
6 reported levels as low as 20 per cent or 25 per cent up
7 to 100 per cent depending upon the mill. You can turn
8 the several pages there to show what is going on in
9 other countries.

10 On page 4 of the document -- of the
11 exhibit we have definite projects for Canada and,
12 again, you can see percentages of recycled content that
13 go from variable or blank to a hundred per cent, and
14 then the exhibit continues to describe plans or
15 definite projects that are underway or committed in the
16 United States.

17 The final page -- the final table in the
18 exhibit shows how the demand for waste paper is
19 projected to increase from 89 to 93. This is almost a
20 sevenfold increase in Canada in four years.

21 Now, as I say, the critical point I would
22 argue for on this issue is for a target to be set. 60
23 per cent seems reasonable, but based on -- and based on
24 these percentages that we are looking at there, at
25 least some mills are finding it possible to go well

1 beyond 60 per cent, but I could see room for argument
2 about the precise number.

3 MR. O'LEARY: Madam Chair, in the scoping
4 you asked a second question following the first in
5 respect of where did that figure come from and that is,
6 if the 60 per cent figure is achieved or exceeded, what
7 will the expect impact on the forest industry be.

8 Q. Can I ask you, Dr. Victor or Dr.
9 Kubursi, and I understand you have made reference to
10 the work that's been done or is undergoing, can you
11 give us an indication of what you feel will be the
12 impact on industry in respect of meeting that figure,
13 or if you have some information in respect of what the
14 impact might be of decisions made elsewhere, such as
15 the United States, could you tell us what your findings
16 are at least on a preliminary basis to this point?

17 DR. KUBURSI: A. We really found that
18 the answer depends on two critical conditions.

19 One, the extent to which we can find
20 alternate -- alternative export markets in the sense
21 that if in fact we move towards recycled fiber and
22 substitute this for virgin there would be a substantial
23 reduction demand for wood and for virgin fiber.

24 Two, the issue depends to some extent on
25 the rapidity with which there would be some adjustment,

1 upgrading and changes in the Canadian capacity to
2 produce paper from recycled products.

3 These two issues, they are not settled on
4 any precise numbers. Here we can speculate. There are
5 trends and these trends are apparent, but whatever
6 really is the number that you choose the trend is
7 indicating very clearly reduction in the demand for
8 virgin fiber.

9 Q. All right. Can I ask you whether or
10 not that will have any impact on the importance of
11 non-timber values in the area of the undertaking?

12 A. Precisely. There is no doubt about
13 it. When we talk about the area of the undertaking and
14 about the forest supplying joint products, if the
15 demand for one product is reduced, economic rationality
16 suggests that we try to increase the net present value
17 from the given space that we should consider all
18 alternatives and maximize and increase and compound the
19 leverage, so to speak, of other activities on top of
20 what we can extract from that physical space.

21 Q. I wonder if, Dr. Victor, you had
22 anything to add?

23 DR. VICTOR: A. Well, one way of looking
24 at the increasing use of recycled fiber is that it
25 becomes a competitor to virgin fiber and the effect of

1 that is to lower the relative value of virgin fiber.

2 Therefore, we can say that as a result of
3 a move towards recycling the relative value of virgin
4 fiber compared with non-timber values has shifted and
5 is shifting in favour of non-timber values.

6 Q. I just have a couple more questions
7 and then we are done.

8 Dr. Victor, in response to question 101
9 on page 51 of your witness statement you discuss the
10 issue of wood wasteage and the procedure by which
11 stumpage fees could be used to manage this issue.

12 What is your understanding of what is
13 done in other jurisdictions that require companies to
14 report wood wasteage using a systematic survey
15 procedure?

16 A. Well, I understand that in British
17 Columbia there is a systematic survey that's undertaken
18 after harvesting to estimate the measure, the amount of
19 wasteage. So that I think demonstrates the
20 practicality of collecting that sort of information on
21 a routine basis.

22 It would be a straightforward matter,
23 therefore, to apply stumpage fees to the wasted wood
24 once measured along with the harvested wood.

25 Q. All right. Then in response to

1 question 103 in the witness statement you discuss the
2 Coalition's proposal for a forest renewal trust fund.

3 Can I ask you whether or not there are
4 any analogous initiatives to this proposal which you
5 are aware?

6 A. Yes, I'm aware of two similar
7 proposals. One comes from the Aggregate Resources Act
8 which sets up a requirement for a security deposit that
9 can be forfeited if decommissioning is inappropriate
10 and the same sort of requirement is included in the new
11 Mining Act which requires deposits to cover any cost of
12 decommissioning that are left at the end of the life of
13 the mine.

14 MR. O'LEARY: We have copies of those
15 portions of those statutes if they would be helpful,
16 Madam Chair, otherwise I could simply identify the
17 sections.

18 MADAM CHAIR: Well take the copies, Mr.
19 O'Leary.

20 MR. O'LEARY: All right.

21 Q. Dr. Victor, I understand that --

22 MADAM CHAIR: Excuse me, Mr. O'Leary, are
23 we going to give that an exhibit number or...

24 MR. O'LEARY: I am happy to do that. You
25 can take administrative notice of that, but --

1 MR. FREIDIN: Is the Coalition asking the
2 Board to pass similar legislation?

3 MS. SWENARCHUK: Madam Chair, if Mr.
4 O'Leary would simply give us the section numbers. I
5 don't think the documents themselves need an exhibit
6 number.

7 MADAM CHAIR: Fine. We will take a copy
8 of the documents, but you can give the other parties --

9 MS. SWENARCHUK: For your convenience,
10 certainly.

11 MR. O'LEARY: I will identify the section
12 numbers. In the Mining Act, it is Section 145.

13 MS. SWENARCHUK: Is this under the site
14 reclamation portion?

15 MR. O'LEARY: That's the actual financial
16 assurance section under the site reclamation portion
17 division of the act, and the second is under the
18 rehabilitation section, Part 6 of the Aggregate
19 Resources Act, Section 50, 51 and 52.

20 MR. O'LEARY: Q. Dr. Victor, is there
21 any further documentation that you would like to direct
22 the Board's attention to?

23 Is there anything contained in the
24 Environmental Policy Benefits: Monetary Evaluation
25 document which might be of assistance to the Board?

1 DR. VICTOR: A. Yes. That is a document
2 that I don't believe has been filed as an exhibit.

3 Q. No, it hasn't.

4 MR. O'LEARY: We left a copy again on the
5 desk. Perhaps we can mark that as an exhibit, Madam
6 Chair.

7 DR. VICTOR: This is an excerpt from this
8 document. It is entitled Environmental Policy
9 Benefits: Monetary Evaluation and this is a slender
10 report produced by the organization of Economic
11 Corporation and Development, OECD, which Canada of
12 course is a member.

13 Now, this is a document which summarizes
14 in comparatively readable form of all the valuation
15 methods that I have given evidence on and discusses
16 existence value and use value, it shows how they can be
17 put in an orderly framework.

18 It also contains what I believe are
19 useful comparisons between or among alternative
20 decision-aiding techniques and I would refer to page 21
21 of the document for that. If that's not part of the
22 exhibit we will provide it.

23 MR. O'LEARY: It is not and we will.

24 DR. VICTOR: It also provides on page
25 64, which I think is already included--

1 MADAM CHAIR: Yes, it is.

2 DR. VICTOR: --a table which shows
3 different kinds of pollution, the different kinds of
4 effects that those pollutants might have and you will
5 see there that they cover health effects, recreation,
6 there is vegetation, recreation, aesthetics, ecosystem,
7 so on, fisheries, they are all listed there.

8 It then lists the kind of benefit impacts
9 that those effects might have and then on the
10 right-hand half of the table summarizes which kinds of
11 benefit estimation techniques, evaluation techniques
12 have been used or could be used to value the different
13 kinds of impacts.

14 I would just like to identify that the
15 two authors of this report, Professors Pearce and
16 Markandya, are recognized as leading analysts in this
17 area. So this is a report of some significance.

18 MR. O'LEARY: Perhaps we could give this
19 an exhibit number.

20 MADAM CHAIR: Yes, this will become
21 Exhibit 2126.

22 MS. SWENARCHUK: 25?

23 MADAM CHAIR: 26.

24 MR. O'LEARY: We will ensure that page 21
25 is inserted into the copies.

1 MADAM CHAIR: Thank you. This is an
2 excerpt consisting of pages 3, 7, 8, 23, 24, 63 to 65
3 and page 21 that will be included.

4 ---EXHIBIT NO. 2126: Excerpt of a document entitled
5 Environmental Policy Benefits:
6 Monetary Evaluation, authored by
7 Professors Pearce and Markandya.

8 MR. O'LEARY: Q. Finally, Dr. Victor, I
9 would just like to ask you whether or not you have any
10 final message that you would like to leave briefly with
the Board?

11 DR. VICTOR: A. Yes, I would just by way
12 of summary say that we have given you evidence on
13 different methodologies for measuring the value of
14 non-timber values in terms that can be compared with
15 the value of timber subject to some qualifications and
16 we have also given you evidence on how to estimate the
17 impacts of expenditures related to different timber
18 management plans.

19 We put the view forward that these tools
20 are proven to the extent that we can be relied upon to
21 provide useful input in timber management planning and
22 that they should be applied or the results from
23 applications of them should be applied on a
24 case-by-case basis according to the specific
25 circumstances faced by a timber management plan.

1 MR. O'LEARY: Thank you, Madam Chair.

2 MADAM CHAIR: Mr. O'Leary, there are two
3 other documents. Were these for your examination?

4 One is the Ministry of Industry, Trade
5 and Technology, June 28th, 1990 report and the other is
6 Ontario's Forest Strategy and Timber Production Policy?

7 MR. O'LEARY: We don't feel it is
8 necessary to mark them at this point.

9 MADAM CHAIR: All right.

10 MR. O'LEARY: We will just take them
11 back.

12 MADAM CHAIR: We will hold on to them.
13 Why, do you want them?

14 MR. O'LEARY: No.

15 MR. MARTEL: I will read those tonight.
16 MADAM CHAIR: Thank you very much, Mr.
17 O'Leary.

18 Ms. Swenarchuk, shall we take a...

19 MS. SWENARCHUK: As you wish.

20 MADAM CHAIR: We need a break. We will
21 be back in 15 minutes.

22 MS. SWENARCHUK: Thank you.

23 ---Recess at 3:15 p.m.

24 ---On resuming at 3:30 p.m.

25 MADAM CHAIR: Please be seated.

1 CROSS-EXAMINATION BY MS. SWENARCHUK:

2 Q. Just a quick question, first of all,
3 to clarify, Dr. Kubusi, one of your comments about
4 recycling. You said that you were going to look at it
5 from two perspectives and the first perspective was
6 whether recycling resulted in significant reduction in
7 exports.

8 Now, can you tell me what the basis is
9 for assuming the reduction of exports? Is this the
10 recycling requirement in the U.S. states?

11 DR. KUBURSI: A. Yes, in the sense that
12 we have projected that other jurisdictions are doing
13 exactly what we are doing and there is ample evidence
14 to suggest that this is the case.

15 Q. Doing exactly what where we are doing
16 in what sense?

17 A. In the sense that they themselves are
18 moving very quickly towards recycling and there is
19 strong preference for recycled fiber, particularly in
20 the United States because they have large urban markets
21 and they have less fiber.

22 Q. So then the assumption of reduced
23 exports, am I correct, in assuming that your
24 understanding there would be that such a large
25 proportion of our forest products are exported to the

1 U.S. that those recycling requirements in the U.S.,
2 unless the industry here felt there were markets, would
3 result in reduced exports and, therefore, in the job
4 loss that you were predicting?

5 A. Yes, if your assumption is correct
6 that there is really no alternative markets.

7 Q. I am just clarifying what your
8 reasoning was in coming up with that projected job loss
9 and it is that focus on the American market?

10 A. Yes.

11 Q. Okay. I want to step back a little
12 bit from the evidence of both of you and just try to
13 understand a little better how the valuation of
14 non-timber values that you are talking about would be
15 utilized in timber management planning.

16 Dr. Victor, you would agree with me,
17 would you not, that if you came up with a given value
18 for tourism activities in a given area, you wouldn't
19 simply slap that on the table and say: Here is the
20 value, we use it like this?

21 You would fit it into some larger
22 context, would you not, of cost and benefits of the
23 alternative ways that you might plan for the forest in
24 question; is that correct?

25 DR. VICTOR: A. Yes, it would fit into

1 the planning process that is in the exhibit that I
2 discussed before.

3 Q. Right. And in your witness statement
4 on pages 10 and 11 you refer to, when you are
5 talking -- this is at the bottom of page 10, question
6 16.

7 A. Yes.

8 Q. You talk about the differences
9 between economic value and economic impacts and you use
10 an example there in which you talk about both costs and
11 benefits of a certain approach?

12 A. Yes.

13 Q. And then further on on page 35 of the
14 witness statement when you are talking about the best
15 access network you talk -- you speak in the third line
16 of the last paragraph, just look at this paragraph:

17 "The results of such an analysis should
18 be presented to the public to obtain
19 their views as to the best course of
20 action. Once all these aspects have been
21 considered, the alternative with the
22 highest net benefit, the lowest risk of
23 failure and the most equitable
24 distribution of benefits and costs and
25 impacts should be chosen."

1 So am I correct in assuming that the way
2 that the timber management planners would use this
3 information is that they would look at these, shall we
4 say, benefits of non-timber values and use them as one
5 of the variables in their overall cost/benefit approach
6 to evaluating what timber management alternative to
7 choose?

8 A. Yes, I agree with that to a
9 significant extent. In my evidence I specifically did
10 not assume that all of this analysis would be done
11 within what is commonly called a cost/benefit
12 framework.

13 The reason for that is I see that as one
14 part of the story and that's why we have advocated a
15 multiple-accounts approach, but within that limited
16 context that I think that you are referring to there
17 are some costs and some benefits that can be compared
18 in the same metric, yes, that's what we are proposing.

19 Q. Okay. Now, on another subject there
20 was a discussion this morning between -- amongst all
21 four of you, the Board and both of you witnesses, about
22 the tourism industries contribution to employment and
23 whether it is an either or all or nothing situation as
24 between forestry and tourism, and I wondered if there
25 are studies available or, Dr. Kubursi, whether you

1 could assist us with the question of whether the
2 employment that is provided in the tourism industry is
3 complimentary to forestry-based employment in the sense
4 of, for example, providing jobs for people and groups
5 that traditionally have not had forestry jobs, in any
6 event?

7 For example, like it or not, I think
8 relatively few women have been employed in the forest
9 industry.

10 DR. KUBURSI: A. And students.

11 Q. That's correct. Is it known whether
12 these types -- these groups of individuals are employed
13 in the tourist industry?

14 A. I agree with the proposition that
15 surely if one can carry more than one activity
16 simultaneously together without one encroaching on the
17 other that's all the more preferable.

18 There are indeed cases and it is
19 documented in the Willamette study that I looked at
20 from Oregon that there is a wide margin where two
21 activities co-exist.

22 The issue here is when they don't exist
23 or one may exist at the expense of the other, then
24 these tools become extremely sharp and they become more
25 useful in that respect in the sense there we have to

1 look at alternatives, but surely the question you are
2 asking is significant in the sense that tourism tends -
3 and I consider this not only an economic aspect, but a
4 social aspect - tend to provide jobs for the
5 unemployables, so to speak, or people that are looking
6 for temporary jobs, particularly in the summer,
7 students, and unfortunately, as you said, women are not
8 highly employable in other industrial activities. This
9 comes to be a natural type of activity.

10 Q. Okay. I want to turn now to
11 questions related to tourism, Dr. Kubursi.

12 I think within this hearing and certainly
13 in the views of my clients who are environmentalists,
14 naturalists, there is a distinction that has developed
15 and has been used here between what is called
16 consumptive tourism and what is called non-consumptive
17 tourism, and as I look at the studies you have filed
18 and as I listened to your testimony as well, Exhibit
19 2119 and 2120, the tourism industry studies, I think
20 the same sentence occurs in both and I will read it
21 from Exhibit 2119, page 2. This is the North Algoma
22 study and the sentence is --

23 MR. O'LEARY: What page?

24 MS. SWENARCHUK: Page 2, midway down the
25 second large paragraph.

1 Q. The sentences is:

2 "A major advantage to tourism is the
3 general non-consumptive nature of its
4 activity and the fact that it draws on
5 local resources to sustain tourism
6 demands."

7 Now, in the view of my clients, if we are
8 talking about tourism and recreation activities,
9 consumptive tourism includes hunting and fishing, for
10 example, recreation activities that, shall we say,
11 harvest a resource; non-consumptive tourism includes
12 those activities which do not consume the resource at
13 all. The most obvious, for example, might be bird
14 watching, but hiking, canoeing, those kinds of
15 activities would be in the same categories.

16 Now, I would like you to explain then --
17 my reading of the documents suggest that the recreation
18 values that are calculated there are mostly, in fact,
19 for the consumptive tourist activities not for the
20 non-consumptive ones. I wondered why you used the
21 rationale that these activities are non-consumptive in
22 nature?

23 DR. KUBURSI: A. I think I need to be a
24 little bit more specific here. There is nothing as
25 non-consumptive in the sense that even the hiker would

1 have maybe to come from a long distance and uses gas to
2 come over there.

3 I mean, I am talking about it in relative
4 terms.

5 Q. All right.

6 A. So the relative term here is that
7 tourism generally -- and one doesn't really have the
8 exact proportions because in these remote tourism you
9 can't say that these people went there to hunt moose,
10 maybe just only fishing. Some of them even take their
11 families who just enjoy the pristine nature and the
12 undisturbed.

13 So it's very difficult to really say this
14 is consumptive, this is non-consumptive. I am talking
15 in relative terms. Tourism is relatively
16 non-consumptive compared to other types of activities.

17 Q. Okay. Now, if we look at Exhibit
18 2116 which is the Review of Outdoor Recreation and
19 Economic Demand Studies with Non-Market Benefit
20 Estimates from Colorado State University, there is a
21 table of contents there in which the tourism activities
22 being studied distinguish between what they call
23 consumptive and non-consumptive activities.

24 Now, in the studies that you did is it
25 correct then to conclude from your comment a moment ago

1 that, in fact, the activities being studied included
2 both, as I have defined them, consumptive and
3 non-consumptive tourist activities?

4 A. I would say yes, but I also say that
5 we didn't know the proportions and the reason why we
6 didn't know the proportions because we looked at it
7 from the supply side, not from the visiting side.

8 Q. Are you aware -- using this, again,
9 2116 as an example of a study in which the different
10 types of tourism were distinguished and studied
11 separately, are you aware if there are any such
12 comparable studies regarding tourist activities in
13 northern Ontario; that is, the ones that would allow us
14 to get a look at the distribution between, as I define
15 them, consumptive and non-consumptive activities?

16 A. I'm not aware of an impact study that
17 made that distinction, but I can easily refer you to
18 the surveys that were conducted, that they contain
19 sufficient data to allow to you make that distinction
20 in the sense that visitors are asked about the major
21 purpose of their trip and you could then, if you so
22 choose, classify them and find the impact between the
23 two groups.

24 Q. Are you aware from having worked with
25 those surveys whether there is any trend as regards to

1 which type of activity is expanding more rapidly in
2 northern Ontario at this time? Do we have that kind of
3 information available?

4 A. Okay. Your question is two
5 questions. Yes, to the question that the data is
6 available; no to the question that I have done some
7 studies.

8 Q. You are not available as to what the
9 trends are -- sorry, you are not aware of what the
10 trends are?

11 A. Aware, no.

12 Q. Now, my clients agree with both of
13 you implicitly that the use of this type of evaluation
14 is of some assistance to timber management planning,
15 but we share the concern that Madam Chair expressed
16 this morning with regard to the weighting of
17 consideration that is going to be given to non-timber
18 values if some have the dollar value attached and
19 others don't.

20 Will you agree with me, Dr. Victor, that
21 there are still a considerable number of non-timber
22 values from our forests that from these materials we
23 should conclude have not yet been valued.

24 Let me just give you a list and ask you,
25 for example, has anyone one yet reliably quantified the

1 forest's contribution to watershed protection?

2 DR. VICTOR: A. I think the answer to
3 that is yes. The Bowes and Krutilla study that I did
4 quote from, they use the term water augmentation, but I
5 have to go back and look at the precise definition, but
6 they looked at the role that the forest plays in
7 protecting local watersheds which they did value and
8 came to the result that I reported, that when you
9 included the value of watershed protection certain
10 timber management activities made economic sense to
11 include them than they didn't make sense.

12 So I think there are some studies, that
13 one comes to mind, that do include something on
14 watershed protection.

15 Q. Would you advocating, then, that the
16 planners in Ontario include that kind of value in their
17 planning process?

18 A. Yes, I would. I would advocate that.

19 Q. What about quantifying forest
20 contributions to biodiversity?

21 A. That's certainly a more difficult
22 area and I'm aware of studies, or at least one study
23 come to minds of the value of an endangered species and
24 there is a dependence of endangered species on
25 biological diversity.

7 Q. Okay. And what about the whole
8 area -- I realize there has been work done in
9 aesthetics, but the area of spiritual values that
10 people attach to forests and in somewhat different ways
11 spiritual values of natives and non-natives attached to
12 forest lands?

13 A. The question you are asking me is, do
14 the economic evaluation methods cover spiritual values
15 or not?

16 Q. And has it been done.

17 A. I am going to answer your question I
18 think in two parts.

19 I think there is an argument to be made
20 that a lot of people who visit wilderness areas,
21 regardless of culture, obtain spiritual value from
22 that.

Now, in the economic evaluation method
that I spent most of the time yesterday the travel cost
method, some of the value, if you like, that's captured

1 in that method would be the spiritual value.

2 Now, one couldn't say this component or
3 this portion of the value is the spiritual component,
4 but at the same time I don't think I would want to
5 conclude that the travel cost method is entirely
6 independent of the spiritual value that the
7 recreationist obtains from going to a wilderness area.

8 Now, the second part my answer and this
9 is something which I think merits clarification. An
10 argument that non-timber values be valued in dollar
11 terms, I believe, presupposes a certain cultural
12 context. It is appropriate when people are used to
13 valuing a whole variety of things in dollar terms.

14 Now, when you mention the native people
15 we are talking about a somewhat different cultural
16 context and I think that is an area where I would not
17 think that a dollar evaluation would stand up today.

18 Q. Now, in the Tongass study, Exhibit
19 2124, there is discussion of existence values and
20 off-sight use values.

21 Now, just from my very non-economic way
22 of thinking, is the evaluation of existence value and
23 off-site use values really willingness to pay
24 evaluation methods? Is that really what those values
25 come down to?

1 A. Perhaps there is some confusion here.

2 Willingness to pay is a concept that we can draw upon
3 to place a dollar value on something, whether that be
4 something that is normally traded in the market or
5 something that, for whatever reason, is not normally
6 traded in the market. We use willingness to pay as one
7 of the basic concepts for valuing something.

8 Q. Is it an element in the travel cost
9 approach?

10 A. Yes, the travel cost method is a
11 method of estimating willingness to pay to visit a
12 site.

13 Q. Yes.

14 A. Existence value, if you like, it is a
15 component of value. Yes, it is a category of value.
16 It recognizes that people -- I'm trying not to keep
17 using the word value because I think that confuses the
18 issue, but people, if you like, are concerned about the
19 existence of certain aspects of the environment.

20 Now, the question the economist asks is:
21 Can we compare that concern, the degree of concern with
22 other things that people are interested in and a way of
23 answering that question is to say are people willing to
24 pay something to maintain the existence of a component
25 of the environment.

1 The answer in many cases, many studies
2 turned out to be yes. There is lots of evidence that
3 people, if they have the opportunity, will express a
4 willingness to pay merely for things to continue
5 existing.

6 Now, that's not surprising to an
7 economist because what we recognize is that the market
8 system fails to register those kinds of willingness to
9 pay. There is no way short of contributing to certain
10 organizations which promote--

11 Q. Feel free, yes.

12 A. --those kinds of values, there is no
13 direct way. You can't go to the store and say: I want
14 to put \$5.00 down to preserve the existence of
15 something.

16 That's what we call market failure. Just
17 because the market fails to register that willingness
18 to pay doesn't mean that people, if they had the
19 opportunity, wouldn't express it. So when we do the
20 studies to detect a willingness to pay for existence we
21 are not surprised that we find that it is there.

22 Q. I just want to conclude by
23 reiterating I think a comment you made this morning
24 that whether or not a particular value can be described
25 in dollar terms because the methodology hasn't yet been

1 devised or because the ministry doesn't have the
2 resources to pay the economists to do it, it is still
3 your position that these values need to be given
4 consideration in the timber management planning
5 process?

6 A. Yes.

7 MS. SWENARCHUK: Those are my questions.

8 MADAM CHAIR: Thank you, Ms. Swenarchuk.

9 It is five minutes to four, we might as
10 well start with the scoping session and finish that.

11 Thank you very much, gentlemen. You
12 don't have to stay for this if you don't want to and we
13 will begin again at nine o'clock tomorrow morning.

14 Thank you.

15 ---Panel withdraws.

16 MADAM CHAIR: Mr. O'Leary, this session
17 is to go over your written evidence for Panel 9 which
18 is entitled a Comprehensive Integrated Timber
19 Management Planning Process.

20 The witnesses will be Dr. Quinney and Mr.
21 Stewart and Mr. Dicksen.

22 Have we heard from Mr. Dicksen anywhere
23 else?

24 MR. HANNA: Fort Frances.

25 MADAM CHAIR: Yes, at the satellite

1 hearing. Thank you.

2 The Board has some questions they would
3 like you to put to your witnesses in preparation for
4 Monday.

5 Beginning on page 13 of the witness
6 statement, in his answer to question 16 Dr. Quinney
7 refers to the use of explicit forecasting tools. In
8 addition to habitat supply analysis, could Dr. Quinney
9 give the Board a list of the explicit forecasting tools
10 to which he is referring.

11 On page 15, Dr. Quinney makes the
12 statement that:

13 "The Panel 3 evidence demonstrates the
14 pervasive nature of site degradation
15 impacts."

16 Could Dr. Quinney clarify for the Board
17 that the Coalition has not given any evidence of site
18 degradation in the area of the undertaking, and we
19 assume he is speaking about Dr. Carr's evidence and we
20 would like a statement from him to that effect and what
21 he believes Dr. Carr's evidence is saying to the Board.

22 On page 16 --

23 - MR. O'LEARY: 16?

24 MADAM CHAIR: 16. Under Item 20, Dr.
25 Quinney makes the statement that:

1 "Panel 5 identified the need for
2 a cumulative watershed effects
3 analysis and described a number of
4 procedures to carry out those forecasts."

5 The Board would also like Dr. Quinney to
6 capsulize for us what he believes the Coalition's
7 evidence has said to the Board with respect to the need
8 for cumulative watershed effects analysis, particularly
9 in the area of the undertaking.

10 On page 21, Mr. Stewart --

11 MR. FREIDIN: Sorry, what page, Madam
12 Chair?

13 MADAM CHAIR: 21.

14 MR. FREIDIN: Thank you.

15 MADAM CHAIR: Mr. Stewart discusses
16 defining resource features and we wuld like to receive
17 from Mr. Stewart a list of the resource features and
18 benefits that the Coalition is proposing should be
19 quantitatively measured in timber management plans,
20 and that refers to the second type of resource features
21 and the description of that is at the bottom of page 21
22 beginning with the last paragraph.

23 On page 24, Mr. Stewart refers to the
24 full range of alternative forest structures that he
25 believes need analysing and we want to know, is there a

1 minimum number that the Coalition is proposing with
2 respect to alternative forest structures or do you see
3 a certain number or a minimum or a maximum number.
4 It's not clear to the Board.

5 On page 32, Mr. Stewart discusses
6 priority sites and the Board wants to make sure it
7 understands clearly what priority sites are. We take
8 it that they include AOCs, but they might include other
9 sites as well and we would like to know what the
10 Coalition means by priority sites.

11 We followed very carefully the different
12 steps in the proposed planning process being discussed
13 by your witnesses. We came up with 12 different steps
14 and we haven't compared it to your overheads yet or the
15 summary that you had done for us before, but our
16 question really is, with respect to all these steps in
17 the proposed planning process, would Mr. Stewart or Dr.
18 Quinney or Mr. Dicksen be able to give an estimate of
19 the amount of time it will take to get to the end of
20 the process, either a timber management plan approval
21 or a bump-up.

22 MR. FREIDIN: Are you in effect asking,
23 Madam Chair, whether there is a time frame that they
24 see the planning process starting and ending in terms
25 of an approved plan?

1 MADAM CHAIR: If your witnesses can be
2 that exact or, if not, are we talking months or years.

3 MR. O'LEARY: We will do the best we can
4 in response to that.

5 MADAM CHAIR: On pages 46 and 47, the
6 witnesses are discussing access planning and the Board,
7 as you know, is very, very interested in this area, as
8 we know your clients are, and we want to understand
9 very clearly what's being told to us about access
10 planning and how you would see it being done over the
11 40 years or the full rotation.

12 So we would like your witnesses to go
13 through planning access. We think it is worth the
14 investment of time so we understand what your proposal
15 is with respect to road access planning.

16 We understand that the witnesses have
17 said: Well, we will plan access the same way or take
18 the same steps that we would in timber management
19 planning, but we would really appreciate receiving a
20 very detailed piece of evidence on how you would plan
21 road access.

22 On page 49, we would like Dr. Quinney to
23 describe for us a systematic survey involving on-site
24 biological reconnaissance. We want to know which
25 biophysical characteristics Dr. Quinney would see being

1 surveyed in any particular area. In this case I think
2 your proposal is that you would do such surveys
3 pre-harvest and we would like to know what such a
4 survey would consist of.

5 On page 4, Dr. Quinney begins his
6 discussion of how your proposed planning process would
7 be implemented and he has done an analysis of the
8 implementation requirements under Tab 4 of your witness
9 statement, and we take it from Dr. Quinney's written
10 evidence that there would little, if any, increase in
11 cost to MNR to implement your proposed planning
12 process.

13 We want to explore this conclusion with
14 Dr. Quinney and especially the conclusions he draws in
15 activities such as plan production and documentation
16 where the Coalition's proposals seem very detailed, and
17 related to this issue is whether your witnesses can
18 give us some idea of what additional staff they would
19 be -- they think would be necessary for MNR to carry
20 out planning in the way you have proposed.

21 You do mention in various places the need
22 for expertise in socio-economic assessment, the need
23 for a different type of job to carry out inventory
24 surveys and so forth and we would like to know how that
25 translates into additional jobs, although you make it

1 clear there are areas where there would be job sharing
2 and reassignment and so forth. It looks to us, though,
3 that you would still need more people.

4 On page 69, Dr. Quinney says in the top
5 paragraph:

6 "The third change relates to the Tourism
7 Guidelines. It is proposed that these
8 guidelines be modified to be compatible
9 with the adaptive management approach."

10 So far as we know we have no other
11 evidence in front of the Board that suggests -- that
12 tells the Board how your clients would like to see the
13 Tourism Guidelines modified.

14 In various cross-examination in the past
15 we have -- criticism of the Tourism Guidelines have
16 certainly been discussed, but we don't know what your
17 client -- what kind of changes you would like to make
18 in the Tourism Guidelines.

19 I don't know if Dr. Quinney will be in
20 the best position to address that, but Mr. Martel and I
21 had discussed before this session the possibility if
22 NOTO in particular wished to make some statement or
23 some submission to the Board with respect to changes to
24 the Tourism Guidelines and if the other parties didn't
25 object the Board would certainly be open to receiving a

1 letter from NOTO if there is some feeling that Mr.
2 Dicksen, for example, isn't prepared to address that.

3 MS. SWENARCHUK: Madam Chair, certainly I
4 have no objection to such a statement from NOTO.
5 Simply that if it is necessary to cross-examine on such
6 a statement it would be necessary for NOTO to produce a
7 witness for that particular purpose.

8 MADAM CHAIR: Yes, and we would certainly
9 hear a request for that.

10 We are waiting from the evidence of Mr.
11 Alexander and Ms. Dube-Veilleux, there were two
12 undertakings I think from that evidence. One was some
13 idea of the impacts that NOTO members have experienced
14 as a result of the timber management.

15 The second one had something to do with
16 the Tourism Guidelines and Ms. Dube-Veilleux had talked
17 about her involvement and she at that point said she
18 wanted to say something else about how they were
19 developed and their status.

20 Martel reminds me that we also do not
21 have in front of us the NOTO membership. We don't know
22 how many remote tourist operations there are in the
23 area of the undertaking.

24 MR. O'LEARY: That's a more difficult
25 one.

1 MR. MARTEL: A fact finding mission
2 maybe.

3 MR. O'LEARY: We did produce the maps and
4 we realize that it is at a level that just is not
5 comprehensible.

6 MR. MARTEL: Can I ask a question.

7 Surely the ministry either of tourism or the Ministry
8 of Natural Resources, which I presume gives some form
9 of licensing or -- what do they call those land
10 holdings where you are on for a short period of time?

11 MS. SWENARCHUK: Land use permits.

12 MR. MARTEL: Land use plans. Surely
13 somebody has got the number of operations. Somebody in
14 this province has got to know out there how many
15 tourist operations there are.

16 Are we saying in Ontario in 1992 we have
17 no idea of the number of operators out there?

18 MR. HANNA: Mr. Martel, we have, as a
19 result of Panel 2, approached the Ministry of Tourism
20 and Recreation. In fact, Ms. Dube-Veilleux approached
21 them while she was on the stand.

22 We have received maps for northeastern
23 Ontario and those maps provide a geographic
24 distribution of tourism establishments by tourism
25 licence.

1 So the information is there, but the
2 latest thing we have been told is that the map for
3 northwestern Ontario, maybe this is perhaps somewhat
4 telling in terms of where we stand in terms of
5 geographic information in this province, is available
6 on a wall in Kenora and you can come and take a picture
7 of it, but that's the only way they have to reproduce
8 those maps and we are in the process of --

9 MR. MARTEL: Forget the maps for the
10 moment, Mr. Hanna. Part of our problem is you can't --
11 I can't imagine making a decision without knowing at
12 least what the potential implication is.

13 Let us say, for example, we said all
14 lakes have to have to have a buffer around it of 500
15 feet or 500 yards, what are we talking about?

16 I mean, what does that boil down to in
17 terms of the amount of the area that's taken out of
18 production for timber harvest?

19 Even to start to make such a
20 consideration one has to know what the ramifications
21 are or have some idea of what the ramifications of such
22 a decision would mean, and surely this province must
23 have a list of all the licensees. God help me, if they
24 haven't got that there is something wrong.

25 MR. HANNA: They do, Mr. Martel, and that

1 is what we are trying to put together for you, but,
2 as I am sure you will appreciate, there is a difficulty
3 in making that information available because you end up
4 in the situation that because of the privacy of
5 information and whatever you have the difficulty in
6 making it available.

7 So we are in negotiations right now to
8 see what information we can in fact get from the
9 Ministry of Tourism and Recreation. It is there, but
10 what we can make available to you is not certain at
11 this time.

12 We have certainly taken note of the
13 Board's interest in that information and we are doing
14 our very best to pull it together. I can't guarantee
15 you, however, that we will be able to have it
16 altogether for Panel 9. We are working on the other
17 two matters that you have raised, but this other thing,
18 I think you can appreciate some of the difficulties we
19 are up against, but we are going doing our very best.

20 MADAM CHAIR: Thank you, Mr. Hanna.

21 MR. O'LEARY: We have circulated a letter
22 from NOTO indicating that they fully adopt and support
23 the evidence of Suzanne Dube-Veilleux and Mr. Bud
24 Dicksen who will be here next week and that will give
25 the other parties a chance to cross-examine someone

1 that is speaking on behalf of NOTO and I will inquire
2 to see if they would also be of the inclination to make
3 a statement which might be of assistance to part of
4 your question.

5 I hope that addresses Ms. Swenarchuk's
6 difficulty in terms of cross-examination.

7 MS. SWENARCHUK: What particular
8 difficulty was that?

9 MR. O'LEARY: You were concerned that if
10 we filed a statement you might not have an opportunity
11 to cross-examine on it.

12 MADAM CHAIR: I think Ms. Swenarchuk's
13 concern is that if some time in the future we receive
14 fairly detailed information, then we would have to look
15 at recalling a witness, if that were necessary.

16 MR. FREIDIN: I think it was more
17 specific than, that it was specifically the undertaking
18 that was given by Ms. Dube-Veilleux that she would in
19 fact indicate in some manner specific instances in
20 which members of NOTO said that their operations had
21 been adversely affected by timber management
22 activities.

23 That's quite different than somebody in a
24 letter saying they adopt what Mr. Dickson says. I
25 think the undertaking was in relation to some sort of

1 quantifiable, measurable, traceable and replicable
2 evidence on that issue and if that's not forthcoming as
3 part of Panel 9 I would want the opportunity to
4 cross-examine on it when it does show up.

5 MADAM CHAIR: Thank you, Mr. Freidin.

6 The Board has two other matters it would
7 like to have the witnesses address and actually it is
8 for Mr. Stewart. On page 77, Mr. Stewart makes the
9 statement:

10 "Based on my experience in other
11 jurisdictions I am aware that many of
12 the elements contained in the Coalition's
13 proposed timber management planning
14 process have been implemented with a
15 marginal impact on wood supply costs."

16 The Board would like to know which other
17 jurisdictions.

18 On page 79, Mr. Stewart makes the
19 statement that:

20 "I expect that the forest industry once
21 they become comfortable with the planning
22 approach will recognize that it has the
23 potential of reducing their costs over
24 the longer term."

25 The Board would like to know how the

1 Coalition's proposed planning approach would have such
2 a potential.

3 Do you have any questions for the
4 parties, Mr. O'Leary, with respect to their statements
5 of issue?

6 MR. O'LEARY: No, Madam Chair.

7 MADAM CHAIR: Ms. Swenarchuk, do you have
8 any?

9 MS. SWENARCHUK: Just when we can expect
10 to receive the interrogatory responses.

11 MR. O'LEARY: Tomorrow.

12 MS. SWENARCHUK: Tomorrow.

13 MR. FREIDIN: A couple of...

14 MADAM CHAIR: Mr. Freidin?

15 MR. FREIDIN: There are a number of
16 outstanding undertakings as well arising out of - I am
17 not too sure which panel - I think Panel 4. There was
18 the question about how those particular terms and
19 conditions, term and condition No. 5, how the various
20 forest benefits would in fact be assessed for
21 monitoring in terms of the effect of the forest
22 structure on them.

23 MR. O'LEARY: We are working on that
24 concurrently with the interrogatory responses. We feel
25 much of it flows from that.

1 MR. FREIDIN: I know you are doing the
2 best you can, but if they could be delivered tomorrow
3 or as soon as possible. Any idea when we might see
4 that one?

5 MR. O'LEARY: Hopefully tomorrow as well.
6 More likely the next day, though.

7 MR. FREIDIN: All right. If we haven't
8 asked this in an interrogatory, I am just wondering
9 whether you could provide the answer to the second last
10 question the Board proposed this week as opposed to
11 waiting to hear about it from Mr. Stewart; that is,
12 what other jurisdictions he is referring to where he
13 says many of the elements of the Coalition have been
14 implemented with minimal costs.

15 That is the sort of information we may
16 want to make some inquiries about or follow up on. Can
17 you provide that information this week?

18 MR. O'LEARY: Yes, we will try. It may
19 not come with the least of rest of it tomorrow, but...

20 MR. FREIDIN: All right.

21 MR. O'LEARY: But by Friday we think we
22 can do it.

23 MR. FREIDIN: Madam Chair, I will raise
24 it now but I don't really know whether it is going to
25 be a problem or not.

1 You asked two questions where you have
2 asked Dr. Quinney to basically go back and somehow
3 interpret the evidence of earlier panels. The way you
4 phrased one of them didn't seem to raise a problem, but
5 when you asked...

6 MADAM CHAIR: With respect to soil
7 degradation or cumulative watershed impacts?

8 MR. FREIDIN: I think the cumulative
9 watershed impacts. Let me see if I can find it here.

10 You wanted him to capsulize what he
11 believes the evidence was that he says in fact supports
12 their proposition.

13 I just raise it now. I don't know what
14 he is going to comment about, but it is going to make
15 it very difficult if he is going to be interpreting
16 evidence which is the subject matter of argument, and
17 if I had to cross-examine on it I will be
18 cross-examining on his interpretation of somebody's
19 else's evidence which makes it all very remote.

20 MADAM CHAIR: Let me rephrase that
21 question just so it is clear, Mr. Freidin.

22 The Board needs to be convinced that the
23 need for cumulative watershed effects analysis has been
24 established for the area of the undertaking. We want a
25 very clear statement from Dr. Quinney.

1 We don't have any evidence before us that
2 adverse effects are occurring in the area of the
3 undertaking and we want to hear clearly from Dr.
4 Quinney that they haven't produced that evidence. We
5 want to know if he is referring to simply the analysis
6 of cumulative watershed impacts. We are, frankly, just
7 a little confused by how the statement is made.

8 MR. MARTEL: And the same applies on the
9 previous page with respect to...

10 MADAM CHAIR: Soil degradation.

11 MR. MARTEL: Soil degradation and site
12 degradation and so on.

13 MR. FREIDIN: My comment would be that
14 the Coalition has called evidence on site degradation.

15 MADAM CHAIR: From British Columbia.

16 MR. FREIDIN: Well, from British Columbia
17 and they have called whatever evidence they have and
18 tried to call it through an expert on site degradation
19 in Panel 3 and aquatics in Panel 5.

20 If, in fact, there is no evidence there
21 or insufficient evidence on that matter, then that's a
22 problem, I would suggest, that the Coalition would have
23 to deal with in argument because short of recalling
24 someone who has got the expertise to add evidence of
25 that --

1 MADAM CHAIR: No, we are not asking that
2 any evidence be added.

3 With respect to the statement that Dr.
4 Quinney makes on page 15, he made it very clear to us
5 during the evidence of Dr. Carr that he was not --
6 before that evidence that the Coalition was not trying
7 to give the Board evidence of soil degradation
8 occurring in Ontario.

9 MR. FREIDIN: All right.

10 MADAM CHAIR: We want Dr. Quinney to
11 clarify that. Unless something has changed, that
12 statement isn't as it is written and the same holds for
13 the cumulative watershed effects analysis.

14 MR. FREIDIN: I see. Okay.

15 MADAM CHAIR: Ms. Seaborn?

16 MS. SEABORN: If Mr. Freidin is finished,
17 I just wanted to raise a couple of matters.

18 Madam Chair, you will recall, I believe
19 it was during the Coalition's Panel 2, Mr. O'Leary on
20 behalf of his client gave an undertaking that the
21 Coalition would be filing a reworded term and condition
22 in respect of bump-up.

23 I would like to know whether or not that
24 is going to be available or going to be presented as
25 part of your evidence-in-chief in Panel 9 or whether

1 that's something that you are going to be providing
2 after your case has concluded.

3 MR. O'LEARY: I have to tell Ms. Seaborn,
4 Madam Chair, that a decision has not been made in
5 respect of that at this time.

6 MS. SEABORN: The second issue is, during
7 one of the panels of the Coalition's case, and this is
8 following along from the discussion on the Tourism
9 Guidelines, I believe that I have said that I would
10 like to ask some questions about the proposed
11 recreation design manual.

12 I see that's not something that I have
13 identified specifically in my statement of issues, but
14 that is a matter that my client would like clarified
15 and I think that probably follows along from some of
16 the issues the Board has raised with respect to the
17 status of the Tourism Guidelines.

18 MADAM CHAIR: What are you talking about,
19 Ms. Seaborn, the recreation design manual?

20 MS. SEABORN: I believe that's what the
21 Coalition has renamed the Tourism Guidelines in their
22 terms and conditions.

23 MADAM CHAIR: All right.

24 MS. SEABORN: They have a term and
25 condition that says they would like this design manual

1 prepared instead of the Tourism Guidelines, and
2 following along with your comments I would just like to
3 have the status of that position cleared up.

4 MADAM CHAIR: Thank you.

5 MS. SEABORN: The final comment is, when
6 the Coalition has been filing its evidence, and it has
7 been very useful, they have provided behind one of the
8 tabs a list of exhibits that the witnesses have
9 referred to in preparing their evidence.

10 Because of the sort of all encompassing
11 nature of Panel 9, to the extent possible, if there are
12 exhibits that were filed during the Coalition's Panels
13 2 to 8 that Dr. Quinney and the other witnesses are
14 going to be referring to it would be preferable to have
15 that list of exhibits prior to Monday morning so that
16 we could gather that material and have our support
17 people have a look at it, if that's possible.

18 MR. O'LEARY: We are going to make best
19 efforts in that regard. That will certainly be of
20 assistance to yourself as well and we will let Mr.
21 Pascoe know if we can and the other parties, at least
22 to the extent that we are aware of it, and on Friday we
23 will make it clear.

24 MR. FREIDIN: Can I have one moment,
25 Madam Chair.

1 MADAM CHAIR: Yes.

2 MR. FREIDIN: Madam Chair?

3 MADAM CHAIR: Yes, Mr. Freidin.

4 MR. FREIDIN: In relation to the issue of
5 bump-up, I understand that Mr. O'Leary has said that
6 the Coalition has not decided whether they are going
7 to --

8 MR. O'LEARY: No, no, let me be clear.

9 There will be an amendment, there will be a revised
10 term and condition. The decision has not as yet been
11 made that I am at liberty to say and undertake at this
12 time that the revised term and condition will be filed
13 as part of Panel 9's evidence next week.

14 MR. FREIDIN: So the term and condition
15 may come in with wording which may not reflect what the
16 witnesses have said?

17 When will we have an opportunity to -- my
18 concern is bump-up has been an issue which has been
19 dealt with as part of the planning process. I would
20 like to have -- if there is going to be a change in a
21 term and condition recommended by this party on
22 bump-up, it seems to me that it should come as part of
23 their case so we can deal with that matter as evidence.

24 MR. O'LEARY: My understanding, Madam
25 Chair, is that Mr. Freidin's concern has been all along

1 a legal one, whether or not it conforms to his
2 understanding of the act, and I would assume that he
3 wouldn't be bothered then by the fact that it was filed
4 with our argument at the end which we would be able to
5 respond to in reply.

6 MADAM CHAIR: The Board doesn't want to
7 hear anything about bump-up right now. You have been
8 talking about it for two and a half years in the
9 negotiations and when the amended bump-up provision is
10 given to the parties you can come back to the Board and
11 try to convince us that we should do something about
12 that.

13 MR. FREIDIN: I have been bumped down on
14 that one.

15 MADAM CHAIR: Mr. Freidin, how long are
16 you going to be tomorrow?

17 MR. FREIDIN: I am going to try and -- I
18 will try to finish by noon, but I have got a funny
19 feeling I will spill over into the afternoon sometime,
20 but we will be through --

21 MADAM CHAIR: We will be through
22 tomorrow?

23 MR. FREIDIN: Yes. No question about
24 that.

25 MADAM CHAIR: With respect to the

1 schedule next week.

2 MR. O'LEARY: We had a number of
3 deferrals from previous panels. There will be a number
4 of undertakings that were dealt with. It may be one of
5 those rare occasions where we may have to seek leave to
6 go beyond the two days.

7 MADAM CHAIR: How long will you be in the
8 examination-in-chief, Mr. O'Leary?

9 MR. O'LEARY: We are still estimating in
10 terms of the materials that we have got to respond to,
11 but I would anticipate the full two days and possibly
12 into the third.

13 MADAM CHAIR: Did Ms. Swenarchuk say how
14 long she would be in cross-examination?

15 MR. FREIDIN: I asked her earlier today
16 and she thought maybe a couple of hours.

17 MADAM CHAIR: Let put her down for an
18 hour. Mr. Martel said an hour and a half.

19 MR. MARTEL: We will split Vic's two and
20 your one and we have got an hour and a half.

21 MADAM CHAIR: How long will you be, Ms.
22 Seaborn?

23 MS. SEABORN: I think I will say, Madam
24 Chair, two hours. Because of the length of the
evidence-in-chief and the interrogatory responses

1 haven't been received yet that time estimate may not be
2 particularly accurate. I will update the Board next
3 week after we look at the interrogatories.

4 MADAM CHAIR: Thank you.

5 Mr. Freidin?

6 MR. FREIDIN: One and a half days
7 approximately.

8 MADAM CHAIR: Well, we will certainly use
9 the fours days for next week.

10 MR. PASCOE: I have spoken with Mr.
11 Cassidy and he indicated that he would be less than
12 half a day. I have also spoken with NAN and they are
13 unsure at this point in time whether they will
14 cross-examine.

15 MADAM CHAIR: Well, we have got four days
16 and so it will have to be fit into that time somehow.

17 MR. FREIDIN: What about the next week?

18 MR. O'LEARY: We do have a week after
19 that.

20 MR. FREIDIN: We don't break until the
21 16th.

22 MS. SEABORN: I believe the Board in its
23 wisdom set aside two weeks for this panel.

24 MADAM CHAIR: WE are hoping to avoid any
25 spill-over. The Board, as you can imagine, has lots of

1 work that it has to get done as well as listening to
2 the evidence as it comes in. So we would certainly
3 appreciate it if we finish by next Thursday, but we can
4 revisit that midweek.

5 MR. O'LEARY: Perhaps one item, and Mr.
6 Freidin and I have discussed this at one point, if we
7 thought it was only going to be one additional day we
8 might visit the concept of sitting on a Friday.

9 MR. MARTEL: I wouldn't even consider it.

10 MR. FREIDIN: How about Sunday?

11 MR. MARTEL: Now, there's a time. In
12 Sudbury. We start in Sudbury on Sunday morning next.

13 MR. FREIDIN: If you are going to supply
14 the breakfast, Mr. Martel, we will be there.

15 MR. MARTEL: Sure.

16 MR. O'LEARY: Hold it in the mines.

17 MADAM CHAIR: All right. Any other
18 matters with respect to Panel 9?

19 (No response)

20 Good. Thank you. We will see you
21 tomorrow morning then at nine o'clock.

22 ---Whereupon the hearing was adjourned at 4:35 p.m., to
23 be reconvened on Wednesday, February 26, 1992
24 commencing at 9:00 a.m.

25 MC [Copyright 1985].

